





Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761114672108>

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

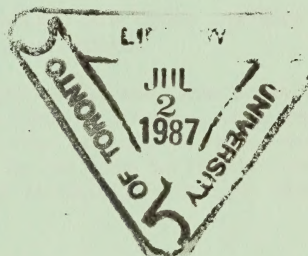
Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service



CADON

R-1

XC 13

-578

STANDING COMMITTEE ON RESOURCES DEVELOPMENT
ORGANIZATION

THURSDAY, MAY 1, 1986

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, May 1, 1986

The committee met at 3:54 p.m. in committee room 1.

ORGANIZATION

Clerk of the Committee: Honourable members, it is my duty to call upon you to elect one of your own as chairman. Are there any nominations?

Mr. Ramsay: I nominate Mr. Laughren.

Clerk of the Committee: Are there any further nominations? If not, I declare nominations closed and Mr. Laughren duly elected as chairman of the committee.

Mr. South: The issue was never in doubt.

Mr. Chairman: Thanks to my nominator and to members of the committee. We should now have nominations for the vice-chairman. [Fault in sound system]

Mr. South: I move David Ramsay.

Mr. Chairman: Mr. Ramsay has been nominated. Are there any further nominations? Hearing none, I declare nominations closed.

Just before we start [Fault in sound system] it has come to my attention that Ken Ritchie, the former operator of the Hansard console, whom some of you remember--the slim fellow who had such a bad cold one day in here--was killed in a car accident. I do not know whether it is too late to extend condolences to the family. He was killed on April 5. That certainly jolted me when it was brought to my attention.

Mr. Ramsay: I think we should send a letter.

Mr. Chairman: Yes, I think it would be appropriate if we could do that. It is very sad. He was only 34 years old, I believe.

Our duties today are primarily to get ourselves organized and to talk about scheduling. I would like to make a suggestion. I have a problem in that my leader is speaking in his response to the throne speech, and I would like to be up there.

Second, we must approve a budget for the committee.

Finally, three things have been referred to the committee. One is Bill 65, which we were in the process of working on when we adjourned. It would be very nice to complete that clause by clause starting next week. There is one slight problem. I do not think it is insurmountable. The Liberal caucus has asked that we not begin it on Monday because one of the members who wants to be an integral part of that clause-by-clause cannot be here. They suggest that we start on Tuesday. If that is okay with members of the committee, I suggest we do that.

Second, the other two items referred to the committee are the Ministry of Labour's 1984-85 Annual Report and the 1984-85 Annual Report of the Ministry of Industry, Trade and Technology. The reason the industry and trade report was referred was because of the situation in Sault Ste. Marie. I have spoken to members of each caucus, Mr. Taylor from the Conservative caucus, Mr. South and Mr. Smith from the Liberal caucus, and Mr. Ramsay, about this. I would like the committee to consider--not today, because I think it is too sudden to make a decision such as this, but on Monday, rather than dealing with clause-by-clause, that we meet and discuss what we will do with that particular problem.

I will tell you what I would like to do. There has to be a collective decision. There has to be an agreement to do it. I suggest that we take a look at the Sault Ste. Marie situation, be briefed first of all on how it came to pass that they had those layoffs, go to Sault, preferably on a Friday, get permission from the House, because we are not regularly scheduled to sit on Friday, see the plant being cut back and talk to the company and to municipal people, come back here, call any expert witnesses and make a report from the committee that would be short and snappy, with some recommendations, since it has been referred to the committee.

The committee sets its own agenda once something gets referred to us, so I am not suggesting that we have to deal with it or we have to deal with it in that order, but it is the kind of thing that has relevance out there. I know we will not have any estimates presented to us until after the budget anyway, so this would allow us to do something that has some real relevance to Ontario. I would entertain any suggestions now and hope we could wait until Monday, because I think you should be able to think about it and talk to your colleagues about it. On Monday we can have a more freewheeling debate on whether we want to do that first of all, and if we do, how we go about it, a tentative agenda, do we need to hire any expertise--those kind of questions would need to be answered on Monday.

Mr. McGuigan: (Inaudible) in our party--

Mr. Stevenson: I have to check with our people, but at first glance this looks to be a very good idea.

Mr. Chairman: That is good. We are not trying to pull any surprises here, so I think we should wait until Monday and until you have had a chance to talk it over with everybody. On Monday we shall make a decision on how to proceed after you have had a chance to think about it.

Mr. McGuigan: I was just reminded that Hansard could not hear me, so I repeat that our party is prepared to go.

Mr. Chairman: Okay. Thank you. The next question has to do with the budget. I ask Todd Decker whether we wish to proceed with the budget now or to wait until we have had our discussion on Monday.

Clerk of the Committee: It probably would be better to wait until Monday, at which point I could get an idea of the scope of the travels you wish to undertake and make provision for them in the budget.

Mr. Chairman: Is that all right with other members?

Mr. South: Is this budget to cover just this one item?

Mr. Chairman: No, the budget is the year's budget. Keep in mind what this means. Going to the Sault once or twice will not be a very expensive process, but if there is anything referred to us in the summer or next January or February, all that has to be encompassed within this budget.

Mr. South: You said three items had been referred to us: Bill 65, the Sault, and what was the third?

Mr. Chairman: The third was the annual report of the Ministry of Labour which was sent to us because of concerns about occupational health and safety. Is there any further business from members before we adjourn?

Mr. Knight: As a point of clarification, you indicated clause-by-clause on Bill 65 beginning on Wednesday?

Mr. Chairman: No, the committee sits Mondays, Tuesdays and Thursdays, after question period. My suggestion is that on Tuesday we begin and let the appropriate people be notified that it starts on Tuesday.

Clerk of the Committee: The committee sits on Mondays, Wednesdays and Thursdays.

Mr. Chairman: Mondays, Wednesdays and Thursdays?

Mr. Knight: That is what I thought.

Mr. Chairman: Sorry, you are right, Mr. Knight. On Wednesday we will commence the clause-by-clause consideration.

If there is no further business, we are adjourned until Monday afternoon.

The committee adjourned at 4:02 p.m.

CA20N
XC13
-578

STANDING COMMITTEE ON RESOURCES DEVELOPMENT
ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
MONDAY, MAY 5, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Aldington L)

Stevenson, K. R. (Durnham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Also taking part:

Morin-Strom, K. (Sault Ste. Marie NDP)

Wildman, B. (Algoma NDP)

Clerk: Decker, T.

Clerk pro tem: Deller, D.

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, May 5, 1986

The committee met at 3:51 p.m. in committee room 1.

MINISTRY OF INDUSTRY AND TRADE
ANNUAL REPORT, 1984-85

Mr. Chairman: There is a schedule of meetings which we should discuss. There is one thing I should look after before we do anything else and that is to have a transcript made of all committee hearings.

Mr. Knight: So that we can have the proceedings of this and all future meetings recorded for posterity, I will move that unless otherwise ordered, a transcript of all committee hearings be made.

Motion agreed to.

Mr. Chairman: Let us proceed then with the discussion on what to do with the referral by the Legislature of the annual report of the Ministry of Industry, Trade and Technology. It was done that way because that is how one refers a specific issue to a standing committee. Mr. Morin-Strom petitioned the House with the following motion:

"That the annual report of the Ministry of Industry, Trade and Technology be referred to the standing committee on resources development in order that the committee would immediately examine the economic crisis facing Sault Ste. Marie and Algoma district, taking into consideration Algoma Steel's announced program to down-size operations and permanently reduce its work force by 1,500 employees; the potential devastating impact of this action on the economy of Sault Ste. Marie, Wawa and Algoma district and the need for a provincial program of action that will provide stability and economic growth for Sault Ste. Marie, Wawa and indeed all of northern Ontario."

That was Mr. Morin-Strom's petition to the House. Last week this committee agreed that we should discuss today how we should proceed with that motion that has been referred to the committee.

There was an agreement of sorts that we would deal with Bill 65, first-contract legislation, this week. There has been a wrinkle in that since last week in that the next two days the committee sits are Wednesday and Thursday and the Minister of Labour (Mr. Wrye) is available only on Wednesday and not on Thursday. We must decide as a committee if we will proceed with Bill 65 on Wednesday, shelve Thursday and then next week finish off Bill 65 before we proceed with the reference from the House on the Algoma Steel situation. My recommendation to the committee is that we finish Bill 65 before we delve into the Algoma Steel situation because I am fearful that we would not get back to it; we would not get it done.

Mr. Taylor: I so move. I would not be offended if we did not get back to it, as you know, but I think that your logic is good.

Mr. Chairman: Is that agreed by the committee? Mr. Taylor moves that we finish off Bill 65 and then proceed with Algoma Steel.

Motion agreed to.

Mr. McGuigan: What about Thursday?

Mr. Chairman: We have a couple of options for Thursday. I assume that the committee does not want to deal with Bill 65 unless the minister is here. That is an assumption I am making.

Mr. McGuigan: I understand there are a number of amendments from all three parties.

Mr. Chairman: Yes. I do not think it is a good precedent anyway; he should be here debating it. If that is not possible, then we will deal with Bill 65 on Wednesday and we will not sit on Thursday.

Before we adjourn today, we will try to determine as closely as we can what our agenda for the Algoma Steel situation should be. I would like to throw that open now for discussion as to how we should proceed with Algoma Steel.

Mr. Morin-Strom: I have a few remarks. Although I am not a member of the committee--

Mr. Chairman: That is all right.

Mr. Morin-Strom: --I would like to address the resolution to the House very briefly. The gravity of the situation is apparent to members here and certainly to anyone who participated in or heard the emergency debate last Monday.

The situation in Sault Ste. Marie is severe. The number of unemployed has increased in the last six months already from those registered with the local unemployment office. There were 5,200 in October. That has already increased to over 8,000, an increase of 2,800 individuals, and that is before the implementation of the steel plant's planned down-sizing and permanent reduction of the work force by 1,500. The situation in Wawa could be much more serious if one of the possible options for the steel company is shutting down the iron ore mine there.

In order to further concentrate the government's attention on the specifics of the case and what potentially can be done in Sault Ste. Marie, it is important that a legislative committee look in more detail at the company's plans and what the impact could be for Sault Ste. Marie, Wawa, the district of Algoma and other communities in northern Ontario. The ramifications are certainly similar, if not quite as severe for other communities in northern Ontario. As a result, I hope this committee will agree to look at this situation as soon as possible.

I ask the committee's agreement to proceed in a major investigation of the situation, perhaps similar to the one resulting from the Inco announcements in the late 1970s, although in this case we are talking about a standing committee rather than a select committee. I also recognize that the House is sitting and we do not have the luxury of waiting until the House recesses, when we would have more time available, as we did in the Inco investigation.

However, I hope the committee will hire an analyst or some expert to provide assistance to the committee in collecting information, putting together background on the steel industry and helping through this process. I see the committee work taking several weeks and I hope we will be able to go to Sault Ste. Marie. It would take at least two days in Sault Ste. Marie just to get through what might be a preliminary list of contacts with whom it is important for us to meet. It is also important that we try to go to Wawa for briefing on the situation there.

This could be done on a series of Fridays or the committee could consider going for a Thursday and Friday. I do not know whether that is possible. It would make things simpler if we were able to go for at least two days one week. Some preliminary work has to be done on background before we go; so we also have to have time for hearings here. It will be necessary for hearings both in the Sault and Toronto, depending on whom we are talking to.

Mr. Wildman: Mr. Chairman, I want to thank you and the members of the committee for your quick response to the referral by my colleague. This is indeed an emergency situation for Sault Ste. Marie, Wawa and Algoma district. I congratulate the committee for its quick response and serious concern. I will just make a couple of comments. As the situation may specifically apply to the community of Wawa, I will make some recommendations for the committee's consideration.

4 p.m.

Wawa, as many of you know, is a community of about 5,000 people or perhaps a little fewer. It is economically dependent on the Algoma ore division mine and tourism. At the peak of employment, before the recession, there were approximately 750 employees at Algoma ore division. So you can see its importance in a community of about 5,000 people. Because of the recession there were a number of layoffs, as there were at Algoma Steel in Sault Ste. Marie. Their numbers are now down to approximately 400 to 450, and I am talking about production workers--that is, hourly rated employees--and staff.

Historically, that mine produced about 60 per cent of the ore used by Algoma Steel. Now it is down to about 40 per cent. The rest of the ore comes to Algoma Steel from the Tilden mine in Michigan. Algoma Steel owns about 30 per cent of that mine, and the balance is owned by two American steel companies. It appears that the trend is to more and more sourcing from the Tilden mine.

Algoma Steel announced that the company, as part of its down-sizing, was studying the Algoma ore division and would make a decision by mid-June. They said that all options were open. One of those is complete closure, although the company has indicated to us that if this were chosen, and it has not been yet, it would not be immediate. It would probably be spread over a number of years, perhaps up to five years. That would still sound the death knell for Wawa.

It would have ramifications for the Algoma Central Railway, which is very much dependent on the transportation of the ore from Wawa to Sault Ste. Marie. If that company is drastically affected, we are talking about the fate of some 500 employees.

That company also operates the tour train to the Agawa Canyon. If their freight operation shuts down, it is likely that their tourism operation will

as well. That would have ramifications for the tourist and accommodation industry in Sault Ste. Marie.

The company could possibly make other decisions for Wawa, such as down-sizing the capacity of the operation and not closing completely. There have been suggestions that they may cut the work force by one third instead of closing it completely. In that case, we are talking about approximately 150 employees--again, direct job loss in a community of a little less than 5,000. The spinoff would have a tremendous effect on that one-industry town.

Having said that this is a very serious situation, I encourage the committee to proceed as soon as possible. As my colleague has indicated, I believe it would be useful for the committee to visit both Sault Ste. Marie and Wawa. The visit to Wawa need not be long. The committee may want to meet with company officials directly involved in the raw materials side of the operation, with the union representing the workers in Wawa and with the township of Michipicoten and the chamber of commerce. It would also be sensible to meet with people from the Algoma Central Railway.

Regarding a visit to Sault Ste. Marie, it would again make sense to meet with the municipality and economic development committee, perhaps with the city welfare department and the social agencies that have been dealing with serious economic down-sizing since 1982, with company officials and labour representatives, and with people from the chamber of commerce and perhaps Canada Manpower.

We are talking about two days, with perhaps half a day for Wawa. I agree with my colleague that it would be useful to the committee to hire someone who has information about the steel industry and can analyse the current trends, not just regarding Algoma Steel, but the whole steel and iron ore industry in Ontario, Canada and North America. There are things such as imports and the problems the iron ore industry is facing in competing with Third World sources and the problems the steel company may be facing with regard to offshore competition, particularly as it relates to the protectionism of the US steel industry and the advocates there of protectionism and, I suppose, as it relates to the oil industry and transportation industries in this country.

I do not think I have all of that information. I know my colleague has more of it than I might, but I am sure the members of the committee are not all fully cognizant of those matters. It would be useful for the committee to have someone who could analyse them and set out some of the problems prior to meeting with the company so that the members of the committee could have some background with which they could analyse what the company has to say to them.

I was a member of the select committee that looked into the Inco and Falconbridge layoffs in the late 1970s as they related to the Sudbury basin. At that time, that committee hired an individual who was knowledgeable in the metals industry and who was able to analyse the base metal industry, particularly the nickel industry, and give that committee some indication of the problems and the challenges that the committee then was able to use in talking to officials, particularly of Inco but also of Falconbridge.

Again, I want to thank the committee for its interest and its response to the referral from the House. I hope the committee can proceed soon, keeping in mind that it has a heavy schedule in this committee, and the resources can be put together to make it a useful exercise both for the committee of the legislature and for the communities involved.

Mr. Bernier: I am sorry to be late as I am involved with this debate. I have to agree with the member for Algoma (Mr. Wildman) saying that we have a very serious situation in northern Ontario. It is catastrophic, to say the least. Go down the list, and you can start at the far west portion of the province at Ear Falls and see what happened at Griffith mine and go into the riding of the member for Rainy River (Mr. Pierce) and see what happened at Shebandowan and then Atikokan. Go to Thunder Bay to see the waferboard plant closing and now the possibility of the Terrace Bay plant closing. Go down to Wawa, Sault Ste. Marie and Elliot Lake; it is a very serious situation. We have to get that point of view across to the people down here that we have a catastrophic situation that has to be addressed.

I know that the Minister of Northern Development and Mines (Mr. Fontaine) has set up this special committee on single-industry communities. I want to repeat the plea that I made in the Legislature that this committee should be disbanded and a select committee of this Legislature be set up to look at the single-industry communities. It is of that magnitude. You were given what, three or four months, Jack?

Mr. Pierce: Two months originally and it was extended to a third month.

Mr. Bernier: The terms of reference were quite broad, where all jurisdictions and other countries were to be visited. You visited one country; you have never visited the other provinces to my knowledge. It has been all done in northern Ontario. It is of that magnitude where we have to take the bull by the horns and say, "Let us look at it from a very broad perspective and get everybody's point of view." As the Premier (Mr. Peterson) said in the House today, I do not think the government knows what it is going to do. It is a serious situation. They do not have any easy answers. He does not have a magic wand, as he correctly pointed out.

I would hope, if we start by going up to Sault Ste. Marie or Wawa, that we not go on a witchhunt with Algoma Steel. I think that would be wrong. We are looking at a single-industry community, a community that is dependent on Algoma Steel, albeit. Wawa is dependent on the iron ore mines. We have to look at the overall aspect of that single-industry community, the demise of that industry and the effect it will have on the whole area.

4:10 p.m.

Mr. Chairman: I appreciate your comments, Leo. Particularly, they strike a responsive chord in me vis-à-vis the broader picture of northern Ontario. It is serious. I wonder if you might have better contacts than most of us in knowing somebody who could assist the committee, if the committee decides that it wants to have someone help us with a look at the steel industry. I should not speak for other members, but I do not think members are interested in a witchhunt.

Mr. Bernier: I hope not. I do not want to be a part of that.

Mr. Chairman: The problem is broader than Algoma Steel and broader than Sault Ste. Marie. I really do not think that is on anybody's agenda.

Mr. Wildman: Mr. Chairman, can I respond specifically to that? When my colleague and I initially indicated we thought it might be useful to have a legislative committee look at the situation, Algoma Steel responded by saying

it was co-operating with and providing all the information to the municipality and the provincial government and did not really see the need for this kind of process.

Subsequently, my colleague and I met with Mr. Nixon and executives of the company and explained that what we were mainly concerned with was not, as you say, a witchhunt. Ratner, we were trying to raise the profile of the problems of the north in general--and particularly Algoma Steel, Sault Ste. Marie and Wawa--in the Legislature, with the government and, to be frank, among the press corps in southern Ontario so that people in the south start to understand the difficulties we have. After that discussion, Mr. Melville, the secretary of Algoma Steel, indicated the company was prepared to go along on that basis and to co-operate with a legislative committee if one did proceed. He welcomed that kind of approach.

Mr. Bernier: I do not know how as legislators we can answer the people in Capreol, Ear Falls, Pickle Lake and Atikokan when we zero in on Sault Ste. Marie and Wawa. That is the point I am trying to make. There is going to be some resentment because a legislative committee is looking at one small area. I am sure, Mr. Chairman, you have problems in your own area; we have them wherever we have single-industry communities.

Maybe the report that is going to come down from--

Mr. Wildman: We hope that committee is going to have a report ready by the end of this month. Then the committee will be disbanded.

Mr. Bernier: Will there be something in that report we can get our teeth into?

Mr. Wildman: We are not sure at this point.

Mr. Taylor: Do we have the authority to take on outside professionals? If so, I would suggest that you, Mr. Chairman, meet with Mr. Bernier and any other member you wish in order to recommend the hiring of a professional. Such a person will give us the objectivity and evenhandedness we require in a problem that is large in scope, affecting northern Ontario, and of which the Sault Ste. Marie situation is symptomatic.

Mr. Chairman: It is common for standing committees to have a steering committee to guide the committee. The chairman should not make such a decision; it should be made by a member from each caucus and the chairman. If you would be willing to do that, Mr. Bernier, you know more about the minerals industry than most people. Someone from the government caucus and either Mr. Wildman or Mr. Morin-Strom can assist in finding someone who will help us.

Mr. Bernier: Does this committee have the power to recommend to the government that we set up a select committee on the basis of your report and say its scope is to be more or less broad? Do we have that power?

Mr. Taylor: Sure.

Mr. Wildman: Mr. Chairman, as a result of your discussions with regard to the specific Sault Ste. Marie, Wawa and Algoma Steel situation, one of the committee's recommendations might be that a select committee should be appointed to look into the overall problem of one-industry towns.

Mr. Chairman: In our preliminary discussions, there was a sense that this should be, if I can use the expression, a "quick and dirty" job. You do not like the expression.

Mr. Bernier: No, I do not.

Mr. Chairman: What I mean is that this should be something we take a quick look at as opposed to being a select committee that will take two months. I do not think that is what the committee wants to do with the referral from Mr. Morin-Strom.

Mr. Morin-Strom: I hope it will be done in a month from when we start. I suggest broadening this to all single-industry towns.

Mr. Chairman: That could flow from a look at Algoma.

Mr. McGuigan: To respond to the emergency situation and the time constraints all of us have, rather than getting up there and back on a Friday, I for one would be willing to take the whole day Friday, Friday evening and Saturday morning. I know that is not a popular idea, because most of us have things in our riding we want to attend to.

Mr. Chairman: There are two options. One is to do what Mr. McGuigan said and the other is very difficult, to take a Thursday as well. It is particularly hard on the government caucus.

Mr. McGuigan: It is nearly impossible.

Mr. Pierce: The first problem we wrestled with in the committee for single resource-dependent communities was the broadness of the terms of reference; the second was the limited time we had to study a problem and come up with some solutions. In trying to draft our final report, we still looked back on the terms of reference on a regular basis to find out just what we could and could not do. We found we could do just about anything, whenever we wanted, but we were limited by time.

Again, I am afraid that we might set up a committee, whether it be a select or whatever kind of committee, and it is restricted by time. All of us know it is not physically possible to do the whole thing in two or three weeks or a month and come back with some conclusions that are going to solve the problems of single-industry communities such as Sault Ste. Marie, Wawa, Kirkland Lake or Terrace Bay. We are not going to come to the conclusions that are going to satisfy the single-industry communities.

I realize the situation today in Sault Ste. Marie and Wawa is an immediate problem. Yesterday it was Ear Falls, the day before it was Atikokan, the day before that it was Inco at Shebandowan, and the day before that it was the Great Lakes Forest Products waferboard plant. Every one is an immediate problem. We are dealing with them after the fact of when they happen.

I caution the committee that when we make some recommendations to the government, we do not get caught in the situation where we restrict ourselves to days, weeks or a month.

Mr. Bernier: I have known some committees that lasted five years.

Mr. Pierce: I am certainly not proposing a five-year committee, but you have to give yourselves room to do a proper job.

Mr. Wildman: I do not want to prejudice what the conclusions of this committee might be, but after an investigation of the specific problem, the committee might come to the conclusion that this is such an important and widespread problem in the north that it would recommend to the Legislature that a select committee be established to look into the overall problem of one-industry towns. You could have a short, in-depth look at this situation and perhaps lead to a wider investigation of the overall problem.

Mr. Chairman: One thing is still bothering me. A couple of members have touched on it. How do we take a quick look at a problem that is so fundamental as the one in Sault Ste. Marie?

Mr. Wildman: I should know this, but I am afraid I do not. Does anybody here know how long the select committee on the Inco and Falconbridge layoffs sat?

Mr. Bernier: For the summer.

Mr. Wildman: No, it was in the winter. I remember being snowed in in Sudbury.

Mr. Chairman: I think it finished in that spring session. It was not a long committee. It was a short one. Nevertheless, it met when the Legislature was not in session.

Mr. Wildman: That is right. It was ongoing all week.

Mr. Chairman: It was a full-time committee. That is not the intention of this one.

Mr. Bernier: There is no vehicle, no legislator or legislative committee, that I know of to which a single-industry community having difficulty with its industry being shut down can go in this province. I do not know. They can go to the government or an individual minister or ministry, but there is no legislative committee established. When you look across the north, across this country there is something like 681 such towns now.

Mr. Pierce: Single-industry, single resource-dependent communities.

4:20 p.m.

Mr. Bernier: We have the bulk of them in northern Ontario. Perhaps some sort of vehicle should be established by the government for those single-industry communities.

Mr. Pierce: We were able to identify only four possible communities in northern Ontario that were not totally dependent on a single resource. Is that not right?

Mr. Wildman: That is right.

Mr. Bernier: Just four.

Mr. Taylor: Can you get us back on track?

Mr. Chairman: We are in danger of getting sidetracked.

Mr. Bernier: We are extending the problem already.

Mr. Chairman: That is right. I suggest that, first, we decide to hire someone on a short-term basis. Second, we should get a rough idea of when we will go so that when we meet again, we can have the clerk bring before us suggested flight schedules, that kind of thing.

We also need to decide whether to take the advice of Mr. McGuigan about sitting on a Friday and Saturday, or restricting it to going up Thursday night and coming back Friday night. That affects how we schedule it up there.

Mr. McGuigan: Do planes have a regular schedule on Saturday?

Mr. Chairman: I think so.

Mr. Wildman: We would assume yes. There is a morning norOntair flight from the Sault to Wawa that connects with the flight from Toronto. Then there is an afternoon flight back to the Sault from Wawa which connects with the flight to Toronto.

Mr. Bernier: Perhaps we could fly up late Thursday afternoon, do something on Thursday evening, and have all day Friday there. We could spend Friday morning in Sault Ste. Marie and Friday afternoon in Wawa, just to get a feel for it.

Mr. Morin-Strom: If you go on Thursday, however, you are going to miss the Thursday session, if you are going to get anything done. If I recall the flight times correctly, the 3 p.m. flight is the last one before the evening flight, which is after eight o'clock. You are not going to do anything if you fly up after 8 p.m. and get there after nine. If you take the 3 p.m. flight, you are missing the day session; so you might as well go in the morning.

Mr. Wildman: Perhaps a steering committee should look at this and come back with a recommendation.

Mr. Chairman: The standing orders say that we must adjourn when there is a quorum call. Do you wish to adjourn now until our next scheduled meeting on Wednesday afternoon, when the Minister of Labour will be here? We will deal with first-contract legislation, but the first order of business will be to tidy this up.

Mr. Pierce: This Wednesday?

Mr. Chairman: This Wednesday.

Mr. Wildman: And will a steering committee meet in the meantime?

Clerk of the Committee: I need a motion for the steering committee.

Mr. Wildman: I cannot move it; I am a substitute.

Mr. Chairman: Mr. Bernier so moves.

Mr. Wildman: Okay. Then we can substitute.

Mr. McGuigan: Do not forget--

Mr. Chairman: Mr. McGuigan, I am sorry. We are adjourned until Wednesday afternoon.

The committee adjourned at 4:24 p.m.

CH2811
XC 13
- 578

R-3

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
LABOUR RELATIONS AMENDMENT ACT

WEDNESDAY, MAY 7, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lamton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Gillies, P. A. (Brantford PC) for Mr. Bernier

Mackenzie, R. W. (Hamilton East NDP) for Mr. Hayes

Polsinelli, C. (Yorkview L) for Mr. Knight

Smith, E. J. (London South L) for Mr. D. W. Smith

Also taking part:

Morin-Strom, K. (Sault Ste. Marie NDP)

Wildman, B. (Algoma NDP)

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

Revell, D. L., Legislative Counsel

Witnesses:

From the Ministry of Labour:

Wrye, Hon. W. M., Minister of Labour (Windsor-Sandwich L)

Pathe, L. V., Assistant Deputy Minister, Industrial Relations Division

Armstrong, T. E., Deputy Minister

Failes, M., Policy Analyst, Labour Policy and Programs

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, May 7, 1986

The committee met at 3:49 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

Mr. Chairman: Before we commence the discussion of Bill 65, An Act to amend the Labour Relations Act, there is a matter we must deal with first, and that is the question of how the committee deals with the reference from the Legislature concerning the Sault Ste. Marie work force reduction. There was a decision at the last meeting to determine today what our travel plans would be when and if we go to Sault Ste. Marie and Wawa. Are there any comments on that before we put any plans in place?

Mr. Polsinelli: Perhaps you could tell us exactly what the reference from the Legislature was.

Mr. Chairman: The reference from the Legislature was that the annual report of the Ministry of Industry and Trade be referred to this committee, with a particular motion from Mr. Morin-Stron to deal with the work force reduction of 1,500 people at Sault Ste. Marie and a possible reduction of the work force at Wawa.

The committee then had a couple of meetings to see how we would go about that. One thing was resolved: We would deal with Bill 65 first to get clause by clause out of the way. When that was completed, we would deal with that reference: namely, the problems of the Sault Ste. Marie and Wawa work force reductions.

I will open it up for discussion because we should determine today whether we are going to travel to the Sault and, if so, when.

Mr. Pierce: I have a bit of a problem in being a member on the committee that was struck to study the problems that relate to single-resource-dependent communities. Given the fact that that committee is so close to putting in a final report to the minister--another of its members, Mr. Wildman, the New Democratic Party member, is also here--and given the fact that I think we will have it completed for submission by the end of May, I feel we would be beating the same horse with two sticks.

We should wait until we get the recommendations of the committee and then decide whether it requires the standing committee on resources development to visit Sault Ste. Marie and Wawa. You may want to visit Terrace Bay, Sudbury and just about every community in the north that is having this same kind of problem.

I know the committee has wrestled with the definition of what constitutes a single-resource-dependent community and how to deal with it. Some recommendations are going to come out of that committee on how we deal with it. Given the fact that the House is in session and members have already struck their calendars for the next four to six weeks, I find it personally very difficult now to fit in additional meetings and to travel with the schedule I have.

Mr. Wildman: Before I begin, I would like clarification. Is the committee as a committee considering the report of the steering committee?

Mr. Chairman: Yes. That was distributed. All members have it.

Mr. Wildman: I would like to make a couple of general comments and then speak directly to the steering committee.

Mr. Chairman: Before you start, we have only an hour on Bill 65 today, from four to five o'clock, because of problems with one of the critics and with the minister. We have only until 5 p.m., so I would urge members to be as succinct as possible.

Mr. Wildman: I will be brief. I understand we often have problems with ministers and critics.

With regard to the comments of my colleague the member for Rainy River (Mr. Pierce), frankly, sometimes a lethargic horse needs two sticks. My concern is that if we do not hurry up, we may be beating a dead horse. I am afraid about the future of the community as a result of the decisions made by Algoma Steel.

I will not belabour the metaphor, but I do think that while the two committees to which he referred deal with similar concerns, they are somewhat different in the sense that the Rosehart committee has a very wide mandate to look at resource-dependent communities and to make recommendations on government policies to respond to the needs of those communities in terms of diversification, adjustment and so on.

Another point is that it is a very different kind of committee. It is an advisory committee to the minister. It is not a legislative committee. It is not a committee that will be making a report to the Legislature.

A further difference is that the referral of my colleague the member for Sault Ste. Marie (Mr. Morin-Strom) deals with a specific announcement of a layoff dealing with two specific communities, Sault Ste. Marie and Wawa. It does not have the wide mandate that Mr. Pierce indicated this committee might be interested in.

If we were to proceed, and I understand the committee has decided to proceed on this referral, it is a referral that deals with the Algoma Steel announcement of a major down-sizing that will displace about 1,500 workers. It does not deal with Terrace Bay; it does not deal with the waferboard plant in Thunder Bay. It deals specifically with Sault Ste. Marie and Wawa and the Algoma Steel situation.

Quite frankly, I think it would be useful for this Legislature to constitute a committee that would look into things such as the Terrace Bay situation and Great Lakes Forest Products in Thunder Bay, but that is not the subject of this referral. If this committee were to proceed as it has decided to do on this referral, it would have no right, in my view, just on the basis of this referral, to expand its discussion into other threatened one-industry towns.

As I said earlier in our discussion last week--or was it Monday?--in response to a comment by Mr. Bernier, it might be the decision of this committee after looking at the Algoma Steel situation to recommend to the House that a legislative committee look into the problems of one-industry towns.

However, that is not the subject of our discussion today, and I would like to deal specifically with the proposal of the steering committee. I certainly agree with it; I think it is a very good proposal. I am just a little concerned, though, about the first paragraph, item 1: "The committee should travel to Sault Ste. Marie and Wawa to meet with representatives of those"--it should say municipal councils; Wawa, of course, is not a city--"representatives of local social service groups and the chambers of commerce to discuss the impact on those communities of the layoffs at the Algoma Steel Corp."

That leaves out two major players: the company and the union. I hope this committee would want to meet with senior management of Algoma Steel Corp. and with the representatives of the various union locals in Sault Ste. Marie and in Wawa to discuss their views of the announcement by Algoma Steel, the management and approach of the company and the ramifications for the community. As well, of course, when you are talking with municipal councils, it would be very useful to meet with the municipal economic development committees or corporations. Those things can be worked out.

Other than that, this is very supportable. Specifically in regard to travel, I am concerned about any decision to travel on a Friday, since the new rules have said we would not be sitting on Fridays. I would be a little concerned about setting a precedent, but if that is the way we have to go, I am prepared to do it.

I do not think we can afford to wait until the Rosehart committee has reported. That could be well into June, and Algoma Steel has said it would be making its final announcements on the effects of the layoff and the down-sizing by mid-June. This committee has to meet with the company, the union, the municipal representatives and all those involved before the company makes its final decision.

Mr. Chairman: May I suggest a couple of things to the committee? First, the committee has already decided to deal with the reference from the Legislature.

Second, separate in your minds the question of whether we travel to the Sault versus dealing with the reference from the chamber. We can complete Bill 65 and then move to look in here at the problems with the Sault and Wawa while members sort out their travel plans to determine whether we can go to the Sault and Wawa. Most members would find it strange to deal with the problems in places such as the Sault and Wawa without going there, but that is a separate problem from whether or not we deal with the problems of the Sault. Do I make myself clear?

Mr. Wildman: Travel plans are a separate issue.

Mr. Chairman: Travel plans are a separate issue from dealing with the work reduction plans of Algoma Steel.

4 p.m.

Mr. McGuigan: I can identify with what Mr. Pierce has said. I have the additional problem in that the Shoreline Management Review Committee will start hearings shortly. All of us have a great problem with the work load that is coming before us by way of legislation as soon as the speech from the throne and the budget speech are over. Nevertheless, as far as the government is concerned, we are in the hands of the northern members. If they want us up there, we will be there.

Mr. Chairman: Mr. Pierce, what is your feeling about going up there? The committee sits on Mondays, Wednesdays and Thursdays. Can members go on one of those days as opposed to a Friday? That is a bit of a problem. That day was cancelled from legislative sittings to allow members to spend those days in their ridings, so I can understand the reluctance to start plugging them in with committee hearings.

Mr. Polsinelli: Could we make this a weekend expedition?

Mr. Chairman: No. We are out of order on weekends. Are there any comments on that?

Mr. McGuigan: We will not have legislation after a couple of weeks, so we could go on a Tuesday.

Mr. Chairman: We will not have estimates, either.

Mr. McGuigan: It would have to be quite soon, on a Tuesday.

Mr. Chairman: Yes. If members of the committee are agreeable to that, it can be arranged. My own preference is a Thursday.

Mr. Pierce: One of the problems I have is that we have been sitting on the committee now for almost three months studying.

Mr. Wildman: They are separate committees.

Mr. Pierce: It may be fine for you to say that, but there are a lot of communities in northern Ontario that are having problems, and each one is a separate problem. I believe the committee is going to come down with some recommendations that may assist us in solving some of them. I certainly do not think they are going to solve all the problems.

Mr. Chairman: No, but there was a reference from the chamber, and the committee decided to deal with the problems of the Sault and Wawa. We are going to deal with them one way or another, even if it is just by sitting here in a committee room at Queen's Park. The committee has agreed to deal with that once we are finished Bill 65.

Mr. Wildman: That is why the steering committee was set up. That has already been decided by the committee. The question is how to proceed.

Mr. Pierce: I have no problem with this committee dealing with it. What is the timetable? That is what is in question: whether we deal with it before or after the other committee's report comes down.

Mr. Morin-Strom: In my opinion, time is of the essence on this one. The purpose is to refer an immediate problem. That committee may be looking at long-term, permanent solutions for how government policy should be set up to support single-industry towns, but this is a crisis situation facing Sault Ste. Marie. It affects 85,000 people in the Sault area and another 25,000 to 30,000 in those communities along the Algoma Central Railway.

This is all on the basis of one decision made by a major employer that has been responsible for close to 9,000 jobs in Sault Ste. Marie and Wawa. That decision has been made in terms of a strategic direction. They are working on the specifics of what that decision is going to mean, and those are going to be announced in June by the company.

There is a perception by the public that government cannot accomplish anything, because it sits around and studies, analyses, procrastinates and does not do anything. That is exactly what the result is going to be if we put this off for another month, waiting to see whether that other report is issued. It was supposed to have been issued by the end of March, according to the original time frame, and now it may be issued in the next couple of weeks. We do not know.

Mr. Wildman: I can assure you it will be reported by the end of May, but I agree with my colleagues that those are two separate issues and I do not think we should mix them up before this committee.

Mr. Chairman: Let us make a decision. What is required is to determine whether we travel to the Sault within the next couple of weeks, but not next week, because we are dealing with Bill 65. It would be helpful if there were a motion put to the chair on whether we go to Sault Ste. Marie during the week.

Mr. Pierce: There is no question in my mind that this committee is going to deal with this problem, and to do so, we have to be in Sault Ste. Marie; we cannot do it in this committee room. I have no objection to going to the Sault other than those I indicated earlier in respect to the other committee. I agree it has to be done in Sault Ste. Marie.

Mr. Chairman: I see a consensus building, albeit slowly.

Hon. Mr. Wrye: We need a consensus builder, too.

Mr. Chairman: That is right. If we are going to do it, then there should be a consensus among the committee. To use Mr. Pierce's and Mr. Wildman's metaphor about the horse, you can take a horse to water, but did you ever smell a wet horse?

Mr. Pierce: You have to put the water in the right end.

Mr. Chairman: I assume there is agreement that we will make arrangements, not this week or next but the following week, to go to the Sault, and it will be on regular sitting days, not on a Friday. Is there general agreement on that? Thank you. That is agreed.

Mr. Wildman: We cannot set the dates now, can we?

Mr. Chairman: Why do we not let the steering committee work out the details for going there? Are there any objections to that, Mr. Pierce? Are there any objections to having the steering committee determine the arrangements?

Mr. Pierce: As long as we know in advance of the dates.

Mr. Chairman: You have a member on the steering committee. Okay, Mr. McGuigan?

Mr. McGuigan: Yes.

Mr. Wildman: The only other change I would like to have the committee consider with regard to the subcommittee's report is the addition of the company and the union to the list of the people we want to meet with.

Mr. Chairman: We will conclude that portion of our meeting.

LABOUR RELATIONS AMENDMENT ACT
(continued)

Consideration of Bill 65, An Act to amend the Labour Relations Act.

Mr. Chairman: We will now deal with Bill 65, An Act to amend the Labour Relations Act. We are here to deal with it clause by clause. Is the committee ready to deal with this? Appearances are deceiving. Do members of the committee have the amendments distributed by the minister? Let us begin.

On section 1:

Mr. Chairman: Are there any amendments to subsection 40a(1) of the act as set out in section 1 of the bill? I do not want to rush anyone.

Subsection 40a(2) is the one I have here for an amendment. There are no amendments to subsection 40a(1).

Subsection 40a(1) agreed to.

Mr. Chairman: Are there any amendments on subsection 40a(2)?

Mr. Polsinelli moves that subsection 40a(2) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor:

"(2) The board shall consider and make its decision on an application under subsection (1) within 30 days of receiving the application and it shall direct the settlement of a first collective agreement by arbitration where, irrespective of whether section 15 has been contravened, it appears to the board that the process of collective bargaining has been unsuccessful because of,

"(a) the refusal of the employer to recognize the bargaining authority of the trade union;

"(b) the uncompromising nature of any bargaining position adopted by the respondent without reasonable justification;

"(c) the failure of the respondent to make reasonable and expeditious efforts to conclude a collective agreement; or

"(d) any other reason the board considers relevant."

Do you wish to speak to it?

Mr. Polsinelli: Not now. I will speak to it later if necessary.

Mr. Gillies: Having reviewed the amendments that the minister was kind enough to forward to me the other day, our party believes that the amended subsection 40a(2) is a considerable improvement over that in the bill. We believe it eliminates some of the confusion and the varying interpretations that surrounded the word "frustrated" as it existed in the original draft. We believe it is a little tighter, a little more workable and meets the aim that our party has concluded on, that there really has to be some sort of threshold to this process.

4:10 p.m.

We have considered the arguments that have been made pro and con on unfettered access and we do not find ourselves able to support it. That being the case, we then find that the threshold test has to be reasonably clear. We believe this is clearer than that specified in the original bill. We will therefore support the thrust of this. I will move a further amendment to change the time line that is prescribed in this particular section, but it would be appropriate to deal with the government amendment first.

Mr. Mackenzie: It is procedures that I am wondering about now. Do we move to amend the government amendment? How do we handle it?

Mr. Chairman: An amendment to the amendment would be in order.

Mr. Mackenzie: I then would like to amend the government amendment. The change comes after "arbitration where," but I will read the whole amendment:

"40a(2) The board shall consider and make its decision on an application under subsection (1) within 30 days of receiving the application and it shall direct the settlement of a first collective agreement by arbitration where no first collective agreement has been effected by the parties and

"(a) the respondent has breached section 15 or,

"(b) the respondent has failed to adopt fair and reasonable bargaining positions or,

"(c) it appears to the board that the parties are unlikely to enter into a collective agreement within a reasonable period of time or,

"(d) any other reason the board considers relevant."

Mr. Chairman: The members have heard the amendment. Do you wish to speak to it?

Mr. Mackenzie: The debate on this has been lengthy already in the course of the hearings before us. It is a slight change from the original one we had submitted as a party. We are submitting the amendment that was presented to us by the steelworkers in their appearance before this committee.

Mr. Chairman: Mr. Mackenzie has moved the amendment to the amendment of the minister. Is it clear?

Mr. Polsinelli: Still on the procedural matter, I think the amendment to the government amendment is nothing more than substituting something other than the government amendment. It is going clearly against the grain of the government amendment, which contemplates neither an open access nor a bad-faith bargaining test. I would ask you to rule on whether it is, in fact, an amendment to the amendment or whether it is a new amendment altogether.

Mr. Chairman: I will hear some arguments first.

Hon. Mr. Wrye: I am not going to speak on the technical matter, Mr. Chairman; you are on the hook for that one yourself. I would say, first of all, that it will not surprise the committee members that the government is not prepared to accept the amendment offered by Mr. Mackenzie.

The steelworkers' amendment is really what I have always called time-triggered open access--no more, no less. The government made a determination at some point in the process, a point that was passed some time ago, that it did not--subject, of course, to the will of the committee--wish there to be automatic access for first-contract collective agreements.

I was looking the other day at the preamble to the act, in which it says, "Whereas it is in the public interest of the province of Ontario to further harmonious relations between employers and employees by encouraging the practice and procedure of collective bargaining"--I will repeat those words: "practice and procedure of collective bargaining."

It does not seem to me that this amendment really adds anything to that preamble to the act. In my judgement, it certainly does not add what the amendment Mr. Polsinelli has placed in front of the committee adds. That is exactly what Mr. Polsinelli's amendment does and, as a result, it is the government's view that the amendment placed by Mr. Polsinelli is by far preferable.

Mr. Gillies: Just to speak to the procedural point, if we vote on Mr. Mackenzie's amendment to the amendment, do we then have to vote on the amendment?

Mr. Chairman: Yes.

Mr. Gillies: That is the problem, because my motion will be very directly an amendment to the amendment. It is a change of two words. I would ask your judgement on whether--

Mr. Chairman: Would it be helpful if we voted on Mr. Mackenzie's amendment to the amendment, and then you can put yours?

Mr. Polsinelli: May I suggest an alternative? The alternative I would suggest is that we vote on Mr. Gillies's amendment, which is an appropriate amendment to the government amendment. If that carries, we then vote on the government amendment, in which case there would be no need for Mr. Mackenzie's amendment.

Mr. Mackenzie: Are you afraid of it, Mr. Polsinelli?

Mr. Polsinelli: I do not support it, Mr. MacKenzie.

Mr. Mackenzie: You have the right to vote against it.

Mr. Chairman: Mr. Polsinelli, Mr. Mackenzie's amendment to the amendment has already been put, so I think it is only fair--

Mr. Polsinelli: I realize it has been put. I would ask you then, on the slim possibility that Mr. Mackenzie's amendment passed, what would be the voting pattern then? Would there be any necessity to vote on the government amendment?

Mr. Mackenzie: That would be voted on before it passes.

Mr. Polsinelli: If all three amendments pass, what would we have then?

Mr. Chairman: Let us deal with them as they come before us.

Mr. Polsinelli: That is exactly what I am dealing with. I am dealing with a procedural point. If we deal with them as they come before us, assuming that all three amendments pass, what would we have then?

Mr. Chairman: We would have an amended version of the section of the bill.

Mr. Polsinelli: What would it say?

Mr. Chairman: It would say we had changed the bill in the way the two subamendments directed.

Mr. McGuigan: With respect, Mr. Mackenzie's motion is separate. It is not an amendment. That is the problem Mr. Polsinelli is getting at.

Mr. Mackenzie: I want a chance to speak on that.

Mr. Chairman: You are next on the list.

Mr. Mackenzie: I reject categorically the argument of Mr. Polsinelli that it is totally counter to the government amendment. I do not think it is. We do not think it is automatic access. It is less than automatic access, and I refer you to the statements of the Minister of Labour (Mr. Wrye) earlier in the debate when he said the intent of his motion was less than bad faith. It is less than bad faith. It is not automatic access. There are still procedures you have to go through, and it is also designed to make what is going to be an almost impossible job for the Ontario Labour Relations Board a little more livable by making clear exactly what we mean by the ability to have access to the first-contract legislation.

Mr. Chairman: The chair is going to rule. I think it would take a fairly finely honed legal mind to say that, by taking out "the process" in "it appears to the board that the process of collective bargaining" so that it reads "it appears to the board that collective bargaining has been unsuccessful," in view of the fact that collective bargaining is in itself a process, I fail to see why it is contrary to the amendment.

I will rule that it is in order. Mr. Mackenzie has put the motion. Is the committee ready to vote on the amendment to Mr. Polsinelli's amendment?

Mr. Polsinelli: Are we talking about Mr. Mackenzie's amendment?

Mr. Chairman: We are talking about Mr. Mackenzie's amendment to your amendment. Let us deal with that first.

Mr. Polsinelli: Obviously, I do not support Mr. Mackenzie's amendment. I think it is a delayed form of automatic access. That is clearly not the procedure we would like to establish, so I will be voting against that.

I would also like to talk about Mr. Gillies's amendment at this point, if it is proper for me to do so.

Mr. Chairman: He has not put it yet. Let us deal with Mr. Mackenzie's amendment.

Mr. Gillies: Is it my understanding that we will deal with Mr. Mackenzie's amendment and then I will put mine?

Mr. Chairman: Exactly.

Mr. Mackenzie: I have two small further amendments to the government amendment if this one does not carry.

Mr. Chairman: Let us deal with them as they come before us. Do you want me to read Mr. Mackenzie's amendment again?

Mr. Gillies: I understand it.

Mr. Chairman: Shall Mr. Mackenzie's amendment to the amendment carry? All those in favour? Opposed?

Motion negatived.

Mr. Chairman: Mr. Gillies moves that subsection 40a(2) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor:

"(2) The board shall consider and make its decision on an application under subsection (1) within 45 days of receiving the application and it shall direct the settlement of the first collective agreement by arbitration where, irrespective of whether section 15 has been contravened, it appears to the board that the process of collective bargaining has been unsuccessful because of,

"(a) the refusal of the employer to recognize the bargaining authority of the trade union;

"(b) the uncompromising nature of any bargaining position adopted by the respondent without reasonable justification;

"(c) the failure of the respondent to make reasonable and expeditious efforts to conclude a collective agreement; or

"(d) any other reason the board considers relevant."

4:20 p.m.

Mr. Gillies: This is simply the government's amendment, with the change from 30 days to 45 days. I will not belabour all the arguments. I made them a few times during the committee hearings. Every indication we have from either management or labour, and indeed from people within the labour relations board itself, is that it is completely unrealistic to expect particularly a small businessman or a small local to retain counsel and prepare an argument that will have much chance for success within 30 days, and that 45 days is probably more realistic. It is not our wish to delay this process unduly; it is our wish to make it realistic.

Mr. Chairman: Are there any other comments on Mr. Gillies's proposed amendment?

Mr. Polsinelli: We have emphasized on a number of occasions the importance of these matters being disposed of quickly. We recognize that Mr. Gillies's amendment is the same as the government amendment, changing only the time frame from a 30-day to a 45-day period. Through our consultation with the Ontario Labour Relations Board, we feel the decision could be made within 30 days. Hence, we will not support the amendment to increase the time frame to

45 days. We think that would delay the whole process and might serve to undermine the value of the legislation to the labour unions.

Mr. Mackenzie: It is not our intention to support the amendment that has been moved by the Conservative member. The general consensus of those who will be using it in the labour movement is that time is of the essence. While it is difficult, tight time frames received commendation from day one of the submission of the bill, and we will not be supporting the amendment.

Mr. Chairman: Are there further comments on Mr. Gillies's amendment to Mr. Polsinelli's amendment?

Hon. Mr. Wrye: I will indicate to committee members that the government does not support this amendment, basically for the reasons my friends the member for Yorkview (Mr. Polsinelli) and the member for Hamilton East (Mr. Mackenzie) have pointed out. The critic for the Progressive Conservative Party is concerned that once an application goes in to the board, the companies and unions will not be able to get themselves organized quickly enough. I do not think any application going in to the board will be a great surprise to the respondent party, whether the respondent party is an employer or a trade union.

We admit that 30 days is a tight time frame, but we think it is an important signal that the government believes timely disposition of these access applications is a critical part of first-contract arbitration.

Mr. Chairman: All those in favour of the amendment as put by Mr. Gillies? Opposed?

Motion negatived.

Mr. Chairman: Are there any further amendments to subsection 40a(2)?

Mr. Mackenzie: I would like to move an amendment. I have not prepared it, but it is very simple and I think everybody will be able to follow it. It is in subsection 40a(2), the third from last line, "it appears to the board that," and I move that we remove "the process of," so that it will now read, "it appears to the board that collective bargaining has been unsuccessful because of..."

Mr. Chairman: That is what you did before. I was confused.

Mr. Mackenzie: No. It was a considerable change before. This is just a specific three-word change.

Mr. Chairman: The chair is feeling strange, because I do not think I made a very good ruling a few minutes ago. I thought this was what was being done.

Mr. Mackenzie moves that the words "the process of" in subsection 40a(2) be deleted.

Do you want to speak to that, Mr. Mackenzie?

Mr. Mackenzie: I will do so briefly. With respect to the bad-faith argument, it does take into question and makes it more difficult to question now the parties behave in the process, and it clearly indicates that the end of collective bargaining is not necessarily a collective agreement. I think

the end of successful collective bargaining is an agreement as far as the trade union movement is concerned. We think it will lead to proving motivation or intent, and anti-union activities will be raised under "the process of." We feel it would be a much more effective bill with those words removed.

Mr. Chairman: I must rule that it is in order. Are there any other comments on Mr. Mackenzie's amendment?

Mr. Polsinelli: I will not argue the procedure again in terms of the actual amendment, but I would indicate that this amendment shifts the focus of subsection 40a(2) from the process of collective bargaining--from the process we are trying to ensure is fair and adequate for all--to the agreement itself. It would indicate that in a situation where a collective agreement has not been reached, an arbitration would be a right. I do not think we are prepared to accept that as an amendment.

I would also like to point out that the amended clause 40a(2)(c), which reads, "the failure of the respondent to make reasonable and expeditious efforts to conclude a collective agreement," refers to the collective agreement Mr. Mackenzie is talking about. While the process is guaranteed through this section, we also mention that where there is an unlikelihood of reaching a collective agreement or where there is an unfair or perhaps an unreasonable effort made by one of the parties to reach a collective agreement, the window to arbitration would be open.

I would not support Mr. Mackenzie's amendment. It leads us closer to automatic access, and that is clearly not the direction we want to go.

Mr. Mackenzie: It would be a hell of a lot cheaper for this government than the costs you are going to go through in the board and that are going out--the merits and the motivations--as it is. I think you are asking for trouble without such a change, but this government is going to have to live with that.

Hon. Mr. Wrye: I share Mr. Polsinelli's view. The government does as well. As a government, we are not prepared to support the amendment. We think a signal that says "collective agreement" really talks about run-of-the-mill failure as opposed to something that happens that is unusual. That is why we have changed from our original bill to this wording and put in "the process of collective bargaining." I think it is appropriate to use those words.

Mr. Chairman: You have heard Mr. Mackenzie's amendment. All those in favour? Opposed?

Motion negatived.

Mr. Mackenzie: Just the usual coalition tactic.

Hon. Mr. Wrye: Careful, you are getting to one.

Mr. Mackenzie: I would like to move a further amendment, if I may, under clause 40a(2)(c).

Mr. Chairman: Mr. Mackenzie moves that in clause 40a(2)(c) the words "reasonable and expeditious efforts to conclude a collective agreement" be changed to "reasonable or expeditious efforts to conclude a collective agreement."

Mr. Polsinelli: You are suggesting a change to "reasonable or"?

Mr. Mackenzie: I propose changing "and" to "or."

Ms. E. J. Smith: Why? What if it is expeditious and unreasonable?

Mr. Mackenzie: For example, an employer could argue that he had made reasonable efforts but it was not possible to be expeditious because of scheduling holidays, availability of counsel, you name it. We think it will be much more functional with the word "or."

Ms. E. J. Smith: It is going to be made expeditious and unreasonable, I think.

Hon. Mr. Wrye: I want to ask what legislative counsel thinks. I know what Mr. Mackenzie is getting at and, frankly, the government agrees. I think he has got at it. I think the word "or" is appropriate.

Mr. Revell: I am convinced both words end up with the same result. I have worked through a number of examples in my mind. If you use "and," the applicant would be saying to the board, "Please grant us first-contract arbitration because the efforts of the respondent have not been reasonable and expeditious." If you prove either side, unreasonableness or failure to be expeditious, I think you have established the case, because it is a two-pronged test. If you use "or," it remains a two-pronged test of being reasonable or expeditious. I fail to see any difference. For that reason, I could not give advice on the issue one way or the other in the circumstance. I think it is a pure choice as to how the committee feels about it.

Mr. Mackenzie: For what it is worth, there has been extensive debate and discussion with the people who will be using the legislation. The very point that counsel has raised was raised by some of the lawyers in the course of that discussion, but I can also tell you the feeling was unanimous that the bill would be more operative with "or" instead of "and."

4:30 p.m.

Hon. Mr. Wrye: We did canvass this view, and Mr. Mackenzie was kind enough to raise this amendment with me prior to this hearing. The view of legal counsel was canvassed and I had some suspicion that we could leave it as is or make the change. Just for the committee's information, the government has no objection if the committee wishes to make that change. If it is felt to be useful to the process, we are quite willing to accept the amendment.

Mr. Gillies: I have no objection to the change.

Motion agreed to.

Mr. Chairman: Are there any further amendments to Mr. Polsinelli's amendment to subsection 40a(2)?

If not, shall subsection 40a(2), as amended by Mr. Polsinelli, carry?

Motion agreed to.

Mr. Chairman: Are there any amendments to subsection 40a(3)?

Mr. Mackenzie: We have no amendments.

Mr. Chairman: Shall subsection 40a(3) carry as is? Carried.

Are there any amendments to subsection 40a(4)?

Mr. Mackenzie: We have no amendments.

Mr. Chairman: Shall subsection 40a(4) carry? Carried.

Are there any amendments to subsection 40a(5)?

Mr. Gillies: None here.

Mr. Chairman: We do not want to slip anything by.

Mr. Mackenzie: No amendments.

Mr. Chairman: Shall subsection 40a(5) carry? Carried.

Mr. Polsinelli moves that subsection 40a(6) of the act as set out in section 1 of the bill be amended by striking out "with" in the third line and inserting in lieu thereof "within."

Mr. Polsinelli: This was a typographical error in the original bill and we are just moving to correct that error.

Mr. Chairman: Are there any comments on Mr. Polsinelli's amendment to subsection 6?

Mr. Mackenzie: We see it as a typographical error.

Mr. Gillies: That is the way it looks to me.

Hon. Mr. Wrye: We are not trying to slip anything by.

Mr. Chairman: All those in favour of Mr. Polsinelli's amendment? Oppose? Carried.

Are there any amendments to subsection 40a(7)?

Mr. Mackenzie: No amendments.

Mr. Chairman: Shall 40a(7) carry? Carried.

Are there any amendments to subsection 40a(8)?

Mr. Mackenzie: We have no amendments.

Mr. Chairman: Shall 40a(8) carry as in the bill? Carried.

There was an amendment to 40a(9) already made from the original bill, but I assume most members are working from the bill that was amended for committee purposes.

Mr. Polsinelli: I also have an amendment.

Mr. Chairman: There is an amendment to 40a(9).

Mr. Revell: I think if we are working from the reprint, the motions were prepared on the basis of the original bill.

Mr. Chairman: So they have to be moved.

Mr. Revell: It would all depend on whether you want to work from the reprint. If you want to work from the reprint, instead of Mr. Polsinelli's motion, which would move the present subsections 9 and 10 and add a: 10a and 10b, I have one short motion that would get us through to 10b as set out in the reprint.

Mr. Chairman: It would be best if we work from the unamended bill, would it not?

Mr. Revell: From my point of view, yes.

Mr. Chairman: We have extra copies here, if anybody wants copies of those. Otherwise, we are going to--

Hon. Mr. Wye: Introduce an amendment.

Mr. Chairman: --introduce an amendment. That is right. This is the St. James version, the King Billy version. You should deep-six that other copy of the bill. Okay?

Mr. Revell: Before we move on, I have an extra set of government motions that are complete, in order and up to date, if anyone is lacking the complete set of government motions.

Mr. Chairman: The government amendments.

Mr. Mackenzie: Some of the others were not in order. These are the ones you have gone over, Mr. Polsinelli.

Mr. Chairman: All members have a copy of the original bill and the proposed government amendments. Mr. Polsinelli, do you wish to move an amendment to subsection 40a(9)?

Mr. Polsinelli: Yes. For convenience, I ask that we deal with both subsections 40a(9) and 40a(10), as my amendment deals with both of them.

Mr. Chairman: Mr. Polsinelli moves that subsections 40a(9) and (10) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor:

"(9) Subsections 6(8), (9), (10), (12), (13), (14), (17) and (18) of the Hospital Labour Disputes Arbitration Act and subsections 44(8) and (10) of this act apply with necessary modifications to a board of arbitration established under this section.

"(10) The date of the first hearing of a board of arbitration appointed under this section shall not be later than 21 days after the appointment of the chairman.

"(10a) A board of arbitration appointed under this section shall determine all matters in dispute and release its decision within 45 days of the commencement of its hearing of the matter.

"(10b) The minister may appoint a mediator to confer with the parties and endeavour to effect a settlement."

Mr. Polsinelli: I think all parties understand the purpose of these amendments, but quite simply, they are to give these new subsections 40a(9) and 40a(10) standard powers which an arbitrator needs to conduct the hearing; for example, the power to subpoena witnesses, to administer oaths, etc.; fairly standard powers.

Mr. Mackenzie: They are understood and expected. We have no difficulty.

Mr. Gillies: There appear to be just a few words different from the printed bill. We just want to check and make sure.

Mr. Pierce: In the proposed new amendment, the words in subsection 10b, "before the board or the board of arbitration, as the case may be, commences its hearings in the arbitration," have been omitted. Maybe Mr. Polsinelli will explain the reason for that omission.

Mr. Polsinelli: Where is that section?

Mr. Pierce: Subsection 10b on page 3.

Mr. Chairman: Mr. Pierce is working from the bill that was amended for the committee but never actually passed.

Mr. Polsinelli: Which is this one.

Mr. Chairman: No, not that one.

Mr. Pierce: Yes. That is the one. I am sorry.

Mr. Gillies: I do not think it is a big problem.

Mr. Revell: Mr. Pierce is correct.

Mr. Chairman: Order. One at a time.

Mr. Revell: I thought it might be easier for me to set out the one change from the committee reprint, which is the copy with the little arrows on the page. It is in subsection 10b and the words that have been deleted from the earlier reprint are the words "before the board or the board of arbitration, as the case may be, commences its hearings in the arbitration." Except for that, it is the same.

Mr. Chairman: I remind you that the bill you are working from, Mr. Pierce, was never officially amended by the committee.

Mr. Pierce: I realize that.

4:40 p.m.

Hon. Mr. Wrye: So that the change is clear to committee members, as I understand it, the earlier non-moved reprint would have allowed the mediator to have involved himself to effect a settlement prior to the hearing. This matter allows the mediator to remain involved if it is useful throughout the process in an effort to endeavour an amicable settlement between the parties. We think it is more useful to do that.

Mr. Chairman: Shall the amendment proposed by Mr. Polsinelli carry? All those in favour? Opposed?

Motion agreed to.

Mr. Chairman: Are there any amendments to subsection 40a(11)?

Mr. Mackenzie: No.

Mr. Chairman: Shall subsection 40a(11) carry? Carried.

Are there any amendments to subsection 40a(12)? We are working from the original bill now.

Mr. Gillies moves that subsection 40a(12) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor:

"(12) The requirement to reinstate employees set out in subsection (11) applies notwithstanding that replacement employees may be performing the work of employees in the bargaining unit, but the said subsection does not apply so as to require reinstatement of an employee where, because of the permanent or temporary discontinuance of all or part of the business of the employer, the employer no longer has persons engaged in performing work of the same or similar nature to work which the employee performed before the strike or lockout."

Mr. Gillies: The change there is the addition of the words "or temporary" discontinuance.

Our feeling is that during a collective bargaining dispute it is not unusual for a company to lose orders and work. Part of its business may be wound down on a temporary basis. Then, normally, we hope the business returns to its former or even improved levels and the people are called back.

As several delegations before the committee indicated, we feel it is unnecessarily onerous to have the employer required to call back everyone in the short term, unless the permanent discontinuance is in effect. Some may interpret that section as requiring the callback of employees for whom there is no work at the time. We do not feel that is appropriate, and we hope the committee will adopt this amendment.

Mr. Chairman: Are there any other comments?

Mr. Polsinelli: I defer to the minister.

Hon. Mr. Wrye: The government does not support this amendment; that would be a surprise.

It is unacceptable and could be subject to some real misuse. In the government's view, where access has been granted, it potentially provides the employer with another means of resisting the union, in a sense. I remind my friend, who knows full well what the definition of "temporary" is, that where there is a legitimate problem with resuming normal startup over that temporary period, which is to be relatively short under the definition, the employer can either come to an agreement with the union or have the board determine the order of reinstatement under the previous section, which we just passed. I see no need to add an unnecessarily complicating feature.

When access has been granted in these cases, it has been for good reason, and sometimes it will have been granted because there has been resistance to the union from day 1. It seems to me that to add the word

"temporary" just adds to the difficulties. Once access has been granted, we want the work to start up.

I understand what you say about orders having been lost. There is nothing in the bill that prevents the company from restarting and building up the operation in an orderly fashion. I do not think we need the word "temporary" to cloud the issue.

Mr. Mackenzie: It is obvious we will not support it. Surely it is a risk an employer takes when he decides he is going to oppose the efforts of his employees to have a union. It is open to all kinds of abuse and it is a threat that could be used very simply and very easily in terms of how many they are ever going to get back in an organizing or certification drive and efforts for a first contract. I certainly would not support the amendment.

Mr. McGuigan: I am not an expert in industrial labour relations, but I feel that in any situation where workers and employers become opposed, each side takes risks. The employee takes the risk that he is going to be without his wages for some time. That is a considerable risk and a considerable sacrifice. The employer takes the risk that he is going to be without sales and faces the disruption of his business. I do not think we should support measures that weigh heavily on or alleviate either side of that. If we adopt that amendment, we would be alleviating one side of the equation.

Mr. Chairman: Are there any other comments on Mr. Gillies's amendment? All those in favour of Mr. Gillies's amendment? All those opposed?

Motion negatived.

Subsections 40a(13) and (14) agreed to.

Mr. Chairman: Are there any amendments to subsection 40a(15)?

Mr. Polsinelli moves that subsection 40a(15) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor: "40a(15). In arbitrating the settlement of a first collective agreement under this section, matters agreed to by the parties in writing shall be accepted without amendment."

Mr. Polsinelli: This subsection is being amended to remove all the references to criteria as it was decided, for example, that the punitive elements of clause (a) were unnecessary. The other two clauses are matters which arbitrators would normally consider in the absence of clause (a) and it is not necessary to list them. We have concluded that the only thing we feel an arbitrator should take is the written agreement of the parties before it went into arbitration. All other matters are matters which arbitrators would normally take into consideration in arbitrating settlements.

Mr. Chairman: Are there any comments?

Mr. Mackenzie: I want to say that we welcome and commend the minister for moving in this particular area of the bill. It also makes redundant the amendment we were going to move for subsection 40a(15) and we will not be moving it. We will support this amendment.

Mr. Gillies: I have a further amendment on subsection 40a(15). I certainly would have supported the government in striking the former clause (a), which we agreed was unnecessary. There are several other points that we

feel this section should convey, however. Again, I am in your hands as to whether you want to vote on this first and then I will move the amendment, or I will move an amendment to the amendment now.

Mr. Chairman: You can move that now.

Mr. Gillies moves that subsection 40a(15) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor: "(15) In arbitrating the settlement of a first collective agreement under this section, matters agreed to by the parties in writing shall be accepted without amendment and account may be taken of,

"(a) the terms and conditions of employment, if any, of employees performing the same or similar functions in the same or similar circumstances as the employees in the bargaining unit;

"(b) the ability of the employer to meet the terms and conditions of the agreement; and

"(c) such other matters as the board or board of arbitration considers relevant to a fair and reasonable settlement."

4:50 p.m.

Mr. Gillies: The two things that the official opposition feels should be conveyed in this section are, first, that we do not believe the arbitrator should just be comparing the proposed settlement with other settlements in a similar company which bargains collectively. We believe, in fairness to the industrial diversity of the province and the varying circumstances the companies operate under throughout the province, the arbitrator should be comparing the proposed settlement to similar circumstances throughout that industry, both organized and unorganized.

The other is an ability-to-pay clause. We want the settlements arising out of this legislation to be reasonable and operable. We do not want to see the kind of circumstance that can arise as, for example, in Eaton's in Manitoba, where the settlement was extremely generous, but as a result, part of the operation was closed and jobs were lost. We believe, and it seems commonsense to our party, that the arbitrator should look at the financial ability of the employer to meet the settlement. That should not by any means be the sole criterion, but it should be one of them.

Mr. Chairman: Are there any other comments on Mr. Gillies' amendment to the minister's amendment on subsection 40a(15)?

Mr. Pierce: I would also like to support the amendment that is being proposed based on the fact, as Mr. Gillies has indicated, that the size of the province dictates there are a number of industries that establish in different parts. They are able to establish in those parts because of the wage packages they negotiate. If those industries are required to pay the going rate of the industry in downtown Toronto, then they will not develop outside that area. There have to be some guidelines established and some opportunities for industry to move outside the area. I support Mr. Gillies's amendment.

Mr. Polsinelli: I will speak to Mr. Gillies's amendment also. Let me start off, surprisingly, by saying I do not support the amendment. Once we have amended the original section to remove those terms and leave the hands of

the arbitrators free to determine what they feel should be considered in reaching an arbitrated settlement, then we should not tie their hands.

On the item Mr. Gillies proposes, "the terms and conditions of employment, if any, of employees performing the same or similar functions in the same or similar circumstances as the employees in the bargaining unit," I think an arbitrator who is worth his salt will take that into consideration. I think that amendment is redundant.

If we are talking about the ability of the employer to live up to the financial responsibilities an arbitrated settlement would impose on him, I think that if an arbitrator does not realize a settlement may bankrupt an employer, then he is not doing his job. Those are considerations he has to look at before reaching a settlement. I believe Mr. Gillies's clauses 40a(15)(a) and (b) are redundant.

Similarly, our amendment covers Mr. Gillies's clause 40a(15)(c). Ours leaves sufficient flexibility on the part of the arbitrator to look at anything he wants to look at, other than the written agreement of the parties. I strongly feel the amendments Mr. Gillies proposes are unnecessary. They are covered within the ambit of our amendment.

Hon. Mr. Wrye: Mr. Polsinelli has put it so well. Mr. Gillies used a particularly bad example in raising Eaton's in Manitoba. I do not know whether you are suggesting to this committee that the company did not have the ability to pay for that collective agreement, but if you are, then your knowledge of that company is a little different from mine. It may have been unwilling to pay, but it certainly was not unable to pay.

I think and the government believes this introduces a matter into this whole debate and into the whole arbitrating of the agreement that is totally unnecessary and, I might add, that might further poison the atmosphere. It would send a very provocative message to interest arbitrators who, as Mr. Polsinelli has pointed out, live in the real world. The employer will have the right to put those arguments to the arbitrator and the arbitrator will have the right to consider them. I do not think the Legislature needs to give that kind of direction to experienced interest arbitrators.

I point out to you and to your colleague Mr. Pierce that the government has just withdrawn a matter that you say you support, which I gather committee members from all three parties found to be punitive. We have withdrawn the old clause 40a(15)(a) and, in effect, put in a new subsection 40a(15), which is very neutral and very straightforward and which properly recognizes that where the parties have reached agreement in a number of areas, the arbitrator will not involve himself or herself in those matters. Now you wish to put in something else that either one side or the other would view to be provocative and punitive.

Having listened carefully to the committee and having agreed with the committee that these punitive clauses ought to be withdrawn, the government certainly does not support putting one right back in. We are not in support of the amendment. We hope the committee will vote it down.

Mr. Chairman: The committee understands what has happened. The minister has moved an amendment to remove clauses 40a(15)(a), (b) and (c). Mr. Gillies has moved an amendment to that amendment, which would put in place different clauses (a), (b) and (c).

Mr. Mackenzie: There is a very simple response to the amendment. What the hell are the arbitration board and the arbitrators there for? If you want to insult them with that amendment, fine.

Mr. Polsinelli: He puts that well.

Mr. Chairman: All right.

Mr. Gillies: Naturally, I am shattered. I had every expectation this amendment would carry. Having said that, I do believe the government's amended subsection 15 is superior to the old subsection 15. After the inspired motion I have put is shot down, we will vote for yours.

Mr. Chairman: All right. Let us deal with the downside first then. Do members understand the amendment put by Mr. Gillies? All those in favour of Mr. Gillies' amendment. All those opposed. The amendment is defeated.

We shall now deal with Mr. Polsinelli's amendment to subsection 15. Do you wish the amendment read again? All those in favour of Mr. Polsinelli's amendment to subsection 15. All those opposed. Mr. Polsinelli's amendment is carried.

Mr. Chairman: Subsection 40a(16) was added to the bill we were dealing with before in committee. Mr. Polsinelli, do you have an amendment to subsection 40a(16)?

Mr. Polsinelli moves that subsection 40a(16) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor:

"(16) A first collective agreement settled under this section is effective for a period of two years from the date on which it is settled and it may provide that any of the terms of the agreement, except its term of operation, shall be retroactive to such day as the board may fix, but not earlier than the day on which notice was given under section 14.

Mr. Polsinelli, do you wish to speak to it?

Mr. Polsinelli: I will defer to the minister on this one.

Hon. Mr. Wrye: This is a technical amendment. What happens is the amendment allowed the board a fixed two-year term for the agreement but allowed the board to determine whatever retroactivity it wanted. In the original wording, the retroactivity could have gone back in a sense. We did not have any termination date on the retroactivity. We have put a termination date on any retroactivity that the arbitration board may give. That termination date is the date at which notice was given to bargain under section 14 of the act. That subsection is really a technical amendment.

Mr. Chairman: Are there any other comments on subsection 16?

Mr. Gillies: Just briefly, my personal preference may have been for a sliding scale of one to two years. Professor Weiler, for whom I have a very high regard, told the committee he thought the two years was essential. I am prepared to accept that. We will be supporting the clause.

5 p.m.

Mr. Chairman: Does everyone understand the amendment? All those in favour of the amendment. Opposed. The amendment is carried.

Any amendments to subsection 40a(17)?

Mr. Mackenzie moves that subsection 40a(17) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor:

"The parties may agree in writing to the extension of any time limit set out in this section, notwithstanding the expiration date of such time."

Mr. Gillies: I have been known to be combative with the minister from time to time, but I believe he has the capacity to involve himself on occasion in these disputes, especially with the support he has behind him. I would not want to deny him that right, so we will not support that amendment.

Mr. Polsinelli: Along with my colleagues, I also indicate that we will not be supporting this amendment. I will indicate that the present section, as worded, does give the parties a discretion to extend any time limit, if they can agree.

Committee members will also realize that the odd situation may arise where the parties will not agree to an extension of time but in the minister's opinion the extension is necessary. We should not preclude him, through this legislation, from having that ability.

Mr. Chairman: Is Mr. Mackenzie's amendment understood? All those in favour of Mr. Mackenzie's amendment? Opposed? The amendment is lost.

Hon. Mr. Wrye: Mr. Chairman, I think legislative counsel has a useful suggestion.

Mr. Revell: Mr. Mackenzie's motion does raise one point which is, from a drafting point of view, an improvement. That is to clarify that the agreement in subsection 17 should be an agreement in writing. I believe Mr. Mackenzie's motion had two thrusts. One was to delete the reference to the minister and the other was to clarify that the agreement was in writing.

To put the words "by agreement in writing" into subsection 17 to clarify and make it parallel with subsection 15, which we just did, which provides for agreement in writing, the motion that would be required would be something to the effect that subsection 40a(17) of the act, as set out in the bill, be amended by inserting after "by agreement" in the first line "in writing".

Mr. Chairman: Mr. Polsinelli moves that subsection 40a(17) of the act be amended by inserting in the first line after the word "agreement" the words "in writing".

Any other comments on that amendment proposed by Mr. Polsinelli? All those in favour of the amendment? All those opposed? Mr. Polsinelli's amendment is carried.

Mr. Chairman: Mr. Polsinelli moves that subsection 40a(18) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefor:

"This section does not apply to the negotiation of a first collective agreement,

"(a) where one of the parties is an employers' organization accredited under section 127 as a bargaining agent for employers; or

"(b) where the agreement is a provincial agreement within the meaning of section 137."

Mr. Polsinelli: The minister may wish to address this one also.

Hon. Mr. Wrye: This amendment reflects views that were placed before this committee, and I think reflects views which committee members have come to accept; that is, that it thus reflects the desire of the nonindustrial, commercial and institutional sector, the nonaccredited portion of the construction industry, to be included in the provisions of Bill 65. We are pleased to agree to that. Obviously, it will apply to only a certain portion of the construction sector, but then again there is only a certain portion to which it need apply. I hope the committee will support this amendment, which that portion of the construction industry feels would be useful.

Mr. Mackenzie: Can the minister give us an explanation of who would be excluded? I am not sure we gain that much with the amendment.

Hon. Mr. Wrye: Only the industrial, commercial and institutional sector would be excluded. For the record, the assistant deputy minister of industrial relations, Vic Pathe, will address that.

Mr. Pathe: It would exclude the ICI sector where the parties are required under the act to bargain for province-wide agreements through employer and employee bargaining agencies and in those cases in sectors other than ICI where employers have been accredited under an employers' association to bargain as an employers' association. Therefore, you have regional bargaining by trade.

Mr. Gillies: This is a change I had asked for and the affected unions asked for when they came before us. I am delighted the minister has seen fit to make this change. I say again, as I said during the hearings, it makes the bill fairer in its application. We will be supporting it.

Mr. Chairman: Do members understand the amendment that has been put by Mr. Polsinelli?

Mr. Mackenzie: It affects the ICI sector and those sectors that are bargaining on a regional basis.

Mr. Pathe: Yes, because in those circumstances there is an area agreement, and a certification in those circumstances normally means the newly certified employer picks up the area agreement in that trade.

Mr. Chairman: All those in favour of Mr. Polsinelli's amendment? Opposed?

Motion agreed to.

Mr. Chairman: Shall subsection 40a(18), as amended, carry? Carried.

Mr. Gillies: I have an amendment to subsection 40a(19).

Mr. Chairman: Mr. Gillies moves that subsection 40a(19) of the act, as set out in section 1 of the bill, be struck out and the following substituted therefore:

"(19) This section applies to an employer and a trade union where the trade union has acquired or acquires bargaining rights for employees of the employer before or after the coming into force of this section and the bargaining rights have been acquired since the first day of January, 1984 and continue to exist at the time of an application under subsection (1).

"Notwithstanding section 2(f), this section applies to units of occasional and continuing education teachers certified by the Ontario Labour Relations Board and their employers."

Mr. Gillies: Members of the committee will recall the presentations of three teachers' federations having units of occasional and continuing education teachers certified and recognized by the board for bargaining purposes, but there being no decision by the government on whether they would bargain under Bill 100 or under the Labour Relations Act. In the absence of any decision on that, we feel this is a benefit that should be offered to these groups.

Hon. Mr. Wrye: If they are bargaining under the act, it would be consistent for them to have those rights. In a sense, it is a meaningless amendment unless we do not support it in the government.

To the extent that the units have been certified by the board, they now fall within the scope of section 40a. Those occasional teachers who have been certified by the board would already be entitled to utilize section 40a under the existing wording. Those teachers whom the boards refuse to certify because they are covered by the School Boards and Teachers Collective Negotiations Act are not entitled to use section 40a because of the act under which they are certified.

In that sense, the amendment is a meaningless one. It unnecessarily spells out a group to whom the bill refers.

5:10 p.m.

Mr. Gillies: I am sorry if I am not as clear on this as I would like to be, but the federations that came before us said they had organized units of teachers who they felt would not benefit under this bill. If I have not identified those groups correctly in my amendment, then I would make the appropriate change to see them recognized.

Mr. Armstrong: In the language you propose there is an anomaly, if not an inconsistency. They have been certified by the Ontario Labour Relations Board, and the only way they can be certified is to be held to be covered by section 2 of the act. Otherwise the board would have exceeded its jurisdiction. If they are certified, they automatically have access, along with anybody else who is certified, to the provisions of the section we are talking about. It is a redundant amendment.

I did not have the benefit of hearing the Ontario Secondary School Teachers' Federation or whoever appeared before you.

Mr. Gillies: Perhaps the confusion arises out of the fact that when the federations appeared, they indicated in their briefs that they did not feel they were under the legislation. At that time there was no argument put forward by the ministry that they were. If they are and that can be clarified by way of direct communication with the federations, then I will be pleased to withdraw the motion. In the meantime, I am left wondering why they are under that impression and why that impression was not previously corrected by the ministry.

Mr. Armstrong: Let me rag the puck until I get the answer from Mr. Failes. I am aware of some board applications where units of occasional or casual teachers have been certified. If that is the case, then I repeat, they would be entitled to access to section 40a.

Mr. Failes: Actually, it is being litigated today before the Supreme Court. I believe the board has certified some of these units, but that has been challenged to judicial review. The complaint of the Ontario Teachers' Federation was that they might find upon judicial review that they are excluded by clause 2(f) of the Labour Relations Act and would not be included under the act. If they are excluded, they would not be certified under the act.

Mr. Armstrong: To pursue that, if they fail in court and the certification is quashed, there is nothing we can do in this bill--I was going to say "should do in this bill"--to expand coverage. The purpose of this bill is to provide access to first-agreement arbitration to those who are covered. Its purpose is not to extend coverage to excluded people. At the risk of being provocative, I will not refer to those who are excluded from the ambit of the bill.

Hon. Mr. Wrye: Its purpose is not to build new standards of coverage. That is for another time.

Mr. Gillies: I will let the amendment stand. I appreciate now that it is under judicial review and that whatever we do may not change it. There is confusion about whether they are covered, and I feel my amendment might clear away a lot of that confusion. I recognize the courts could strike that down anyway.

Ms. E. J. Smith: On the other hand, I have this concern that if Mr. Gillies leaves this stand with the confusion as explained by our legal counsel, and Mr. Mackenzie supports you, as indeed he may, the people involved are going to be more confused rather than less confused because they will see the amendment as passing without having the advantage of knowing the legal advice we were given. That would be very confusing for them.

Mr. Mackenzie: I have some difficulty with it, but my inclination is not to support the amendment at this point.

Mr. Chairman: Do you wish your amendment to stand, Mr. Gillies?

Mr. Gillies: It might as well now.

Mr. Chairman: Are there any further comments? Do you understand the amendment?

Motion negatived.

Mr. Mackenzie: I do not know whether there is any feeling that there will be much of an extension, but I asked that we finish at five. I am told I have people now waiting for me in my office. I am prepared to try, if we think we can do it.

Mr. Polsinelli: There is only one more amendment, and that will basically complete the bill.

Mr. Chairman: Mr. Gillies must be part of this, though. There was more or less an agreement at the beginning that Mr. Mackenzie had to leave at five. He stayed on and he is wondering whether the rest of the bill will go expeditiously or whether we should put it off to another day.

Mr. Mackenzie: I am prepared to stay if we think we can do it very quickly, but I am in a bind.

Mr. Gillies: Mr. Chairman, you will be delighted to know I have no further amendments.

Mr. Chairman: Let us try then. Members will know there were additions, subsections 20 through 23, to the original bill, and they must be moved as amendments.

Mr. Polsinelli: Have we adopted subsection 19?

Mr. Chairman: I am sorry. Thank you. Does subsection 40a(19) as set out in section 1 of the bill carry? Carried.

Mr. Polsinelli moves that section 40a of the act, as set out in section 1 of the bill, be amended by adding thereto the following subsections:

"(20) Notwithstanding subsection (2), where an application under subsection (1) has been filed with the board and a final decision on the application has not been issued by it and there has also been filed with the board, either or both,

"(a) an application for a declaration that the trade union no longer represents the employees in the bargaining unit; and

"(b) an application for certification by another trade union as bargaining agent for employees in the bargaining unit,

"the board shall consider the applications in the order that it considers appropriate and if it grants one of the applications, it shall dismiss any other application described in this section that remains unconsidered.

"(21) An application for a declaration that a trade union no longer represents the employees in the bargaining unit filed with the board after the board has given a direction under subsection (2) is of no effect unless it is brought after the first collective agreement is settled and unless it is brought in accordance with subsection 57(2).

"(22) An application for certification by another trade union as bargaining agent for employees in the bargaining unit filed with the board after the board has given a direction under subsection (2) is of no effect unless it is brought after the first collective agreement is settled and unless it is brought in accordance with subsections 5(4), (5) and (6).

"(23) The Arbitrations Act does not apply to an arbitration under this section."

Mr. South: For clarification, is "unconsidered" a word?

Mr. Revell: Yes.

Mr. Gillies: It is a legal term.

Mr. Chairman: The considered view is that it is a legal word, which probably means it is not the King's English.

Mr. Polsinelli: Mr. South, you should also know that language is an evolving creature and we should always have the ability to introduce new terms into the English language.

Motion agreed to.

Section 1, as amended, agreed to.

Sections 2 and 3 agreed to.

Bill, as amended, ordered to be reported.

Mr. Chairman: This completes the consideration of Bill 65, An Act to Amend the Labour Relations Act. On behalf of the committee, I would like to thank those people who made it such a pleasurable experience: the people from the Ministry of Labour who helped us, Merike Madisso, legal counsel, and the minister's staff, particularly during the public hearings aspect of the bill.

Mr. McGuigan: Compliments to the chairman, and where is the champagne?

Mr. Chairman: There are rules about that too.

Mr. Pierce: The contractors' association is bringing the champagne, is it not?

Mr. Polsinelli: I understand there is a policy that, once a bill has been successfully carried through committee, the minister takes the committee members out to dinner.

Mr. Chairman: It is not unknown for that to happen.

Hon. Mr. Wrye: Dinner is in Windsor tonight.

Mr. Chairman: There will be a meeting of the subcommittee of the standing committee on resources development to deal further with the Sault Ste. Marie trip. It should consist of at least one of the Sault members. Perhaps tomorrow after routine proceedings the subcommittee could have a chat. We are adjourned as a full committee until next Monday afternoon.

The committee adjourned at 5:21 p.m.

ERRATA: R-55: Thursday, March 27, 1986, afternoon sitting
of the standing committee on resource's development,
dealing with Bill 65, The Labour Relations Amendment

In presentation of the brief of the Canadian
Paperworkers Union (pages 16-31), all remarks
attributed to M. Hunter, CPU Organizer, were
in fact those of A. Foucault, CPU Penrepresentative.

CA20X

X511

-578

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

MONDAY, MAY 12, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Also taking part:

Morin-Strom, K. (Sault Ste. Marie NDP)

Wildman, B. (Algoma NDP)

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

Witnesses:

Individual Presentations:

Scott, N. S., Scott Consulting Services

Gordon, J. M., Investment Analyst, McLean McCarthy Ltd.

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, May 12, 1986

The committee met at 3:58 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
(continued)

The Vice-Chairman: Seeing a quorum, I would like to open the proceedings of the standing committee on resources development to deal specifically with the annual report of the Ministry of Industry and Trade and, more specifically, with the Algoma Steel layoffs.

I welcome Nat Scott to the committee today. I invite you to take a chair at our table, sir. We are very interested in hearing your views on this situation. We appreciate the time you have taken to be with us and look forward to hearing your views and entering into dialogue with you. Do you have any opening remarks on the situation that you would like to bring to the committee? How would you like to proceed?

N. S. SCOTT

Mr. Scott: First, I am glad to be here. A very nice thing happened here today that I would like to take a moment to share with you. I had never seen the painting of Jack Stokes before. He is a person for whom I have always had tremendous respect and whom I continue to respect. I had forgotten the painting was done by Lynn Donohue. Lynn is the daughter of a classmate of mine who graduated from the mining school in Toronto. She or her sister was very badly scalded in a household accident in Red Lake while a very small child. It got the afternoon off to a nice start with all the happy memories of Jack and my classmate. It is a very small world.

I am here at your disposal. I want to be as co-operative and as effective as I can with you and your committee. Manage me in any way you like.

The Vice-Chairman: All right. I will make the suggestion that I start to make a list of members wishing to address questions to Mr. Scott. Is that an agreeable way to proceed? Okay.

Mr. Wildman: I also would like to thank you, Mr. Scott, for taking the time to be with the committee. Perhaps you could give us some indication of your understanding of the situation in the iron ore markets internationally and domestically and how that might affect the steel industry in Ontario in general and Algoma Steel in particular.

Mr. Scott: I do not have much insight into the steel business. I spent my working life in the raw materials end.

Mr. Wildman: Before you do that, perhaps you could explain something about your own background.

Mr. Scott: I would be happy to. I was raised in this area, just outside Hamilton, in a place called Aldershot. I went to school there and graduated in mining engineering from the University of Toronto in 1950. A year later, I joined Inland Steel Co. and spent my working career with Inland.

Inland is a Chicago-based steelmaker which became interested in developing a mine on the Steep Rock Iron range. Steep Rock had not been able to interest any Canadian organization in developing it. During my years in university, particularly the last two, I became intrigued with that ore body and how it would be uncovered and mined at a profit, which seemed impossible. I joined Inland solely because it had an option on it; that was one way of getting into that area to be part of mining that ore body, I hoped.

I ended up spending my working career with Inland. I spent a few years in northern Michigan in underground iron ore mines our company had there. I was transferred to Atikokan, which is a God-forsaken place.

Mr. Wildman: Do you agree with that, Jack?

Mr. Pierce: I am next.

Mr. Scott: But it is full of some very lovely people. I started there in 1979 and closed down the operation in 1981, at which time I was vice-president and manager of Caland, which is the wholly owned subsidiary that did the mining, pelletizing and shipping. Then I retired.

In the spring of 1981 and late 1983, I was asked by Inland if I would go to Pennsylvania and give some leadership and assistance in the closure of an underground coal mining complex and preparation plant that could no longer cut the mustard. That is why I am still there. I have enjoyed that immensely. I knew nothing about coal or the government. I knew no one on the payroll. I did not know which end was up. But it was the kind of situation that turned my crank; so I am currently there.

Mr. Wildman: I am particularly interested in the situation as it relates to iron ore in the current international situation and how that is affecting Canadian and North American producers, because I represent the area that includes Wawa and the Algoma Ore division of the Algoma Steel Corp. If you do have some information or knowledge of the current situation with regard to what has been referred to as a glut of iron ore on the world market, perhaps you could enlighten us as a committee as to what your understanding of the situation is.

Mr. Scott: There is a lot of iron ore in South America that is of an excellent quality and apparently can be mined very cheaply and landed at North American and other ports very cheaply. We have quite a modern operation in Jackson county, Wisconsin, which we have had to shut down. We have one still operating in Virginia, Minnesota. Inland owns a 12.3 per cent share, I think it is, of Wabush; we have been trying to get out of that for a long time, but no one is interested in our percentage.

I do not feel the outlook for iron ore mining in this country or in the United States is at all attractive. Please do not ask me to tie any time frame, because I cannot--I am not sure anyone can--but I think we are in for a lengthy period of low demand for domestic iron ore.

The same is holding true for coal. In the part of Pennsylvania in which I am, there are far more coal mines closed than working. I do not know a great deal about the coal business in our own country. I follow it closely in the Globe and Mail and through some contacts in western Canada. It is apparent from what I am told and what I read that this part of the business is having difficulty too.

As for steel, I cannot talk with any degree of confidence. I could use our own company's experience as an example of what is fairly typical of steel companies in the US and possibly in North America.

Mr. Wildman: My main concern in my questions to you is the situation with regard to iron ore. We do have another gentleman who is going to be appearing before the committee to talk specifically about steel.

Mr. Scott: I am much relieved.

Mr. Wildman: I am on another committee, of which Jack Pierce is also a member, that met recently with an economist in northern Ontario. At that meeting, the gentleman told us that in 20 years he did not think there would be--maybe I am being too extreme, Jack; correct me if I am wrong. I think he said that he did not think there would be any iron ore mined in North America in 20 years. How do you respond to that statement?

Mr. Scott: It is a frightening statement, but I think it is closer to being correct than not.

Mr. Wildman: Why is that? What is the difference between our situation, either in the US or in Canada, and that of Latin America, say?

Mr. Scott: The bottom line is cost. For whatever the reasons, the people there seem able to lay pellets down here cheaper than we can.

Mr. Wildman: You can purchase iron ore here in the Great Lakes basin from South America cheaper than you can produce it from the iron range in Minnesota or from northern Ontario?

Mr. Scott: Yes.

Mr. Wildman: Can you give us any reasons as to why? Do you know why that is the case?

Mr. Scott: I cannot be specific with you, because I do not know enough to be specific. I am not trying to dodge your questions. I have not been involved in the economics of iron ore on an international scale during any part of my career. What I have learned and am able to articulate is what I picked up.

4:10 p.m.

Mr. Wildman: Maybe I can try another tack. One of the things we have been told by Algoma Steel with regard specifically to the Algoma Ore property at Wawa is that although it is a very productive underground mine--the productivity there is very high--it is very difficult for an underground operation such as that to compete with open-pit operations in other parts of North America.

Mr. Scott: The underground cannot compete. No way.

Mr. Wildman: Are you experienced with both types of operations, underground and open-pit?

Mr. Scott: Yes. In the 1950s, we had seven underground iron ore operations in the Upper Peninsula of Michigan. The Caland operation was conceived of as underground; there were to be two 1.5-million ton shafts, for an annual capacity of three million tons from underground.

The taconite technology breakthrough was made by Dr. Davis at the University of Minnesota in the late 1950s, about 1959 or possibly in 1960. That put the kiss of death on the underground operations. Our seven mines were all down within years. We had spent a very large amount of money on one shaft of Caland; it was complete, and we shut it down immediately. The writing was on the wall that we would not be able to compete with open-pit sources available to Inland.

The Vice-Chairman: Can I have clarification on the taconite process you alluded to that was developed?

Mr. Scott: Taconite is an iron-bearing rock that was always seen as waste; it had no marketable value whatever. Dr. Davis is credited with the technological breakthrough that resulted in a method of beneficiating that rock--it runs about 30 per cent iron--up to 63 or 65 per cent, let us say--it is somewhere in there; I do not remember the exact figures--and some cases as high as 68 per cent iron.

Its advantage over a natural iron ore is that through the beneficiation, you can control the quality of the product in terms of its being constant--iron is constant and sulphur is relatively constant--whereas in the natural ore those are much more subject to ups and downs and dramatically increase the smelting cost in the steelmaking process because, I am told, you have to charge the furnace with much more coke and limestone. You have to charge for the worst-condition iron ore you are feeding into the furnace.

The Vice-Chairman: With the new flux pellet procedures, it would be even more so today, I would think.

Mr. Scott: Yes.

The Vice-Chairman: Okay.

Mr. Wildman: We are informed that the Algoma Ore property is the only underground iron ore mine left in Canada. Do you know whether there are operating underground iron ore mines in the United States?

Mr. Scott: I am not aware of any. There may be a handful operating somewhere, but I do not know where they are.

Mr. Wildman: Can you give us laymen some indication of the extra cost involved in an underground iron ore operation as opposed to an open-pit operation?

Mr. Scott: You are faced with getting down there; your development costs are generally much higher underground than in an open-pit operation. At the time I was making evaluations, the labour units for underground as opposed to open-pit operations were five times higher for the underground. That was a substantial handicap.

The economies of scale are more realizable in the open pit than they are in the underground. In the open pit, for example, one can drill off a very large bench to be blasted, whereas the underground blasting tends to be much more limited in scope. You simply do not get the economies that come from handling very high volumes with enormous equipment.

If you have a wet underground mine, the pumping of water can be a very costly factor. I am not suggesting it is not costly in an open pit too; it can be, but generally the underground pumping cost is much higher.

Mr. Wildman: Is it far more labour-intensive in underground operations than it is in an open pit?

Mr. Scott: It was five times more at the time I was studying it. That was 20 years ago and I doubt it has changed all that much yet because productivity gains have been made in both.

Talking about iron ore, I suspect the underground today probably requires more than five times as much labour to get a ton out, because the increase in sizing of equipment in open-pit operations has been much more dramatic than it has been in underground iron ore mining.

Mr. Wildman: Did I understand you correctly to say you were involved in the Steep Rock operation at the time of the close-out? Is that correct?

Mr. Scott: Yes.

Mr. Wildman: Caland?

Mr. Scott: Yes.

Mr. Wildman: What were the decisions that led to the decision? What process did the company go through to decide it was more economic for it to close that out even though a lot more reserves of ore were left?

Mr. Scott: We operated on a 10-year financial forecast, a five-year forecast and then two-year specific ones. They were always in place and were being adjusted to take in factors that changed and had a bearing on cost or sales. The primary thing was the stripping ratio; that is, the amount of waste that one had to move to get a ton of ore was increasing as one went deeper in a pit. In that pit, by the way, the iron ore seam sloped or dipped at 80 degrees to the horizontal; the deeper one went to chase the ore body, the more stripping one had to do in the waste draw to keep the men and women safe.

Mr. Wildman: Is it fair to say that the deeper you go in an open-pit operation, the less advantageous it is over an underground operation?

Mr. Scott: Definitely.

Mr. Wildman: Is that because you are having to take so much overburden?

Mr. Scott: Yes. That was one factor. The other factor was that this was a high-grade ore to start with, around 61 or 62 per cent. We screened it and pelletized the fines, simply because there was no longer a market for the fines. We could sell it coarse, but that was an increasingly difficult market.

To try to keep the project alive, we spent about \$18 million on a pelletizing plant in the early 1960s because we could see that the market for the fines, the minus three sixteenths, was disappearing. By the time we finished, it turned out there was no market for fines under three eighths; so we were screening at three eighths and pelletizing all that.

Even with the pellet, which helped our position, we still could not compete with the quality of the taconite pellet; it had an extremely uniform quality because it was beneficiated from 28 or 30 per cent up to a very high grade and very uniform. The use of a ton of quality pellets from taconite resulted in much lower hot metal costs than one would get from using pellets

from our coarse ore because of the variations in chemistry. Our product, and products like it, use much more coke and limestone. They were longer in the furnace, so at the end of the year that furnace had produced a lower tonnage of iron ore, and at a higher cost, using our product. You lost two ways.

4:20 p.m.

Mr. Wildman: We have been told in the past that the manganese property of the ore at Wawa was an advantage over other types of ore. However, with the changes in technology and steelmaking, we are told what was an advantage before may now be a disadvantage. Do you have any knowledge about that?

Mr. Scott: I do not have enough knowledge to comment.

The Vice-Chairman: Before we go on, could I ask you for a definition of the word "beneficiated"? I have a feeling I know what it might be. Does it mean "enhanced," or is it a more technical term?

Mr. Scott: It is a technical term. You concentrate the ore by grinding down the iron-bearing material. In the gold industry it is called flotation. You do things to get the iron ore particles separated from the waste.

The Vice-Chairman: It is the name of the process to concentrate the iron ore into a pellet?

Mr. Scott: Yes. That is called beneficiation.

Mr. Pierce: Welcome, Mr. Scott. It is certainly a pleasure to have you with us this afternoon.

I want to go back a little on some of your history. Your role as a manager at Caland Ore gave you an opportunity to act in a proactive role because you were aware of the fact that Caland Ore would be going out of existence in the future. It was my understanding that because of that knowledge, you were able to encourage Inland to continue the operation of Caland Ore, as it was called, beyond the anticipated closure date. Is that right?

Mr. Scott: That is right.

It is funny how you forget these dates. In 1972, we said the open pit would be closed at the end of the production season in 1976. Then, in 1974, we announced that our best guess was it would not close until the end of 1979, and that proved to be the case.

Mr. Pierce: This was as a direct result of yourself and the management team at Caland Ore enhancing the operation and continuing it.

Mr. Scott: That is very kind of you to say.

Mr. Pierce: I am sure it was. The information we have is that Inland had anticipated closure much sooner and was ready for it.

Mr. Scott: Yes, it had.

Mr. Pierce: As a manager, you were able to be proactive and initiate a proper and considered shutdown as opposed to having to respond immediately to a closure.

Mr. Scott: That is right. I am sure the reverse condition would be a very uncomfortable one in which to be.

Mr. Pierce: As I understand the situation we are looking at, from the perspective of this committee, Algoma Steel has announced it will be looking at approximately 1,500 employees being laid off within a certain period of time. It will have a better handle on that in the near future.

You have dealt now with two closures, one at the Inland Steel Caland Ore property and the other one at the Pennsylvania coal mine. I am wondering how you see this pending announcement by Algoma Steel as giving the committee an opportunity to try to determine how we could somehow enact some form of assistance or legislation that would lengthen or delay the process of the pending layoffs they have announced.

I know you are not familiar with the books of Algoma Steel, but do you see any opportunities that government may be able to assist in the continuation or promotion of the steel industry in Canada? That is really the bottom line we are at right now. We see nothing down the line. Anybody we talk to regarding iron ore or steel is not predicting good times; they are more gloomy times than good times.

Mr. Scott: That is a rough question. I know virtually nothing about Algoma's financial position, where the problems are and where the opportunities are.

Mr. Wildman: To be fair, of the 1,500 total layoffs, probably only 1,200 are in the steelmaking end, whereas in the raw material supply you are talking somewhere in the neighbourhood of 200 or 300 people.

Mr. Scott: Does that mean the Helen is closing down?

Mr. Wildman: We do not know. We know the final decision will be announced by the company in June. One of the options is a shutdown of the Wawa operation. Another possibility might be down-sizing that operation significantly. However, 1,200 of those jobs are in steelmaking and not in the iron ore industry.

Mr. Scott: Mr. Pierce, what you are asking is one of the many ideas that really needs churning over. Out of that, something creative will be developed. I do not know what it will be, but when you get some differences of opinion, you always get a creative idea. People are committed to try to do the best.

Mr. Wildman: We can be very creative around here.

Mr. Scott: In our own case, we tried hard for many years and finally gave up on having a change made that would have resulted in our operation going longer than it did. I cannot tell you how much longer.

Under the tax laws of the day--and frankly, I do not know if they have changed--the royalty we paid to Steep Rock iron mines, which was a very substantial royalty of 20.5 per cent of what we sold the iron ore for as it left the property, was not permitted as an expense in computing Ontario mining taxes. The royalty we paid to Steep Rock iron mines, the owners of the ore body, was not recognized as an expense in computing Ontario mining tax. When we filed with the feds, they would accept the royalty as an expense, but they would not accept the Ontario mining tax as an expense.

To make a long story short, if you put this total picture together at the end of the year, our taxable income to both groups was taxed at 65 to 70 per cent. In my judgement that was outrageous, but we were completely ineffective in getting that changed at either level of government.

I do not know whether a tax change would do anything for an iron ore company or a steel producer that might be in trouble in Canada today. I do not have a good enough feel for it any more.

Generally speaking, the tax burden in this country for industry is substantially heavier than in some other countries. It might be awfully hard to do something for one company. You might be looking at a very major rearrangement of the total industry to do something for one organization.

Mr. Pierce: Do you see the taconite amendment initiated in Minnesota as having any bearing on what is going on at Algoma Steel in Wawa with respect to the availability of the ore?

Mr. Scott: Jack--is it appropriate for me to call you Jack?

Mr. Pierce: Certainly.

Mr. Scott: Is that all right, Mr. Chairman?

The Vice-Chairman: Sure.

Mr. Scott: We have known each other for I do not know how long. I tried hard to fire him a couple of times.

Mr. Wildman: That is one of the nicer things he is called.

The Vice-Chairman: You should hear what we call him.

4:30 p.m.

Mr. Scott: I do not know enough about current taxation to know, but to enlarge upon what you are talking about, in the 1950s, there is no question that the increasing tax load that the mining companies were asked to bear in Minnesota was instrumental in driving the industry out of that state. There is no question whatever about that. It went to places like Steep Rock Lake. It went to Labrador. It went to the other northeastern operators, and it went south.

Prior to, coincident with or just after the breakthrough in taconite, Minnesota passed what I think was called the Langram-Griffith Act, or something like that, that guaranteed the iron ore industry that if it would come back to Minnesota, it would not be taxed at more than the average tax rate of some group of industries for a guaranteed 25-year period. They flocked back.

We did not pull out of Steep Rock then simply because we were locked into paying them royalties, and whether we mined or not, we had to pay. The wisdom that Steep Rock exercised at that point was very good for Ontario.

Jack, your question was?

Mr. Pierce: Does that reflect at all on the Algoma operation?

Mr. Scott: I just do not know. I do not know enough about their situation to have an opinion. I am not sure it would be appropriate for me to express it if I did.

Mr. Pierce: Right. That is all I have.

Mr. Stevenson: I am not terribly familiar with the iron ore situation; so if some of my questions seem a little out of order, do not hesitate to tell me.

The Vice-Chairman: Are there no farm rocks down in your area?

Mr. Stevenson: I have to pick a few, but they are of even lower value than iron ore seems to be at the moment.

In the South American situation, is there extensive government subsidization of that ore or the refined materials coming out of those countries?

Mr. Scott: I do not know.

Mr. Stevenson: There are instances of products coming from South American and other countries where they want to get their hands on North American currency, or American currency in particular, and they are prepared to sell their products substantially below cost of production to get foreign exchange. Do you know whether that sort of thing is going on?

Mr. Scott: In the iron ore industry?

Mr. Stevenson: Yes.

Mr. Scott: I just do not know. I have never heard it suggested. That does not mean it is not happening.

Mr. Stevenson: Is the quality of the rock down there higher relative to what we are dealing with? It is. Much higher?

Mr. Scott: First, I have had no direct experience with the ore, but our internal people who have looked at it say it is very low-sulphur. It is consistently high-iron and low-phosphate and the most important one, low-silica.

Mr. Stevenson: Have there been any actions by the International Trade Commission or the Department of Revenue in the US to give any protection to American mines against imports of ore or refined products from other countries?

Mr. Scott: I do not know whether there have been actions taken, but based on what I read and what I have heard from the people I have talked to in the industry, there seems to be a lot of offshore raw materials coming into the steelmaking industry. I do not hear of much limestone coming in, but iron ore, coke and coal, yes.

Mr. Stevenson: We can use an example such as Brazilian soybeans. A few had been bought by American companies, but with the threat of many more to be purchased, political pressure was brought upon those companies, and no further soybeans were purchased. There are certainly examples in the steel industry in the US, where the Department of Treasury and the International

Trade Commission have taken countervailing action against imported steel of one type or another. I am getting back to my previous question. Are you not aware of anything in that line that has been done in the raw materials area?

Mr. Scott: Not in raw materials. There are some forms of restraint on steel importations into the US and I do not pretend to understand those. The press, depending on what press one reads, is critical of the Reagan government for not taking a stronger position with respect to steel imports from this country as well as others, but I have seen nothing on the importation of coal or iron ore. I suspect there are strong lobbies trying to bring that about.

Mr. Stevenson: To give myself a little more background--Mr. Wildman got partially into this, but I missed your answer--about how many iron ore mines, both underground and open pit, are currently operational in the US?

Mr. Scott: I cannot give you an answer. I just do not know, although our experience would be fairly typical of other companies. We have shut down one large iron ore property completely and have terminated our partnership in another, thereby causing its demise. Inland Steel has one operating iron ore mine and pelletizing operation in the US where we used to have two, and an active involvement in two partnerships, one of which is now demised. I think that is quite typical of the industry.

I might take that a step further. Our steelmaking output has been reduced from--these figures may be a little bit wrong but essentially they are correct--\$8 million plus down to about \$5.5 million. Losses last year were \$178 million. Inland's steelmaking division lost money in something like 14 or 15 of the past 18 quarters.

Mr. Stevenson: Do you have any idea of how many people are working in the US in iron ore mining?

Mr. Scott: No, I do not. Those numbers would be available from the American Iron and Steel Institute.

Mr. Stevenson: I am trying to get around to the likelihood of an American government taking some sort of action against the import of iron ore and, therefore, the likelihood of action in Canada in the same area. Carrying on from there one would have to ask oneself, regardless of the price we might be able to produce it for here, whether the South Americans are prepared to put it in here at a lower price.

4:40 p.m.

Mr. Scott: I just do not know. If you were to contact the AISI, which I think is one of the more effective organizations although that view may not be shared generally, it could give you insights into that, but I cannot.

Mr. Pierce: As a supplementary to Mr. Stevenson's question, I recently had a discussion with one of the steelbrokers, brokers of steel from British Columbia to Quebec. He informed me that in the specialty steel industry the Scandinavian countries do not have a floor price on steel.

They are lower than produced steel anywhere in North America or in the world, because they continue to operate their iron ore mines and steel mills at a fairly high level. They are prepared to take some losses through their

government in moving their product around. In specialty steels, case-hardened steels, they are prepared to take that loss through the government by subsidies. We are into a pretty rough game.

Mr. Morin-Strom: I have a couple of quick questions. First of all, Mr. Scott, can you tell us how familiar you are with the Algoma organization at Wawa? Do you have any insight into the problems of that operation? It would be valuable based on your knowledge of it.

Mr. Scott: My knowledge of it is 10 to 15 years old, and what I knew about it then was rather limited. I toured the pit--I beg your pardon--I have been underground. My recollection is that the ore was being sintered for the mill. I could be wrong about that. I have no real understanding of the operation in the last few years. I had a long-time manager there whose name escapes me now. He was a rather heavy-set fellow.

Mr. Wildman: Telio Berdusco.

Mr. Scott: I know Telio, but it is not him. I cannot think of his name.

Mr. Wildman: He retired a couple of years ago.

Mr. Scott: That is right.

Mr. Morin-Strom: So you have never seen the stage four development, or the conveyor system feeding directly from the underground mine?

Mr. Scott: No. I know they had a number of measures in mind that it was hoped would result in some low costs.

Mr. Morin-Strom: They came on stream around 1979.

Second, the Tilden mine, Algoma's other big mining venture, is a joint venture with a number of US steel companies. I am not sure if Inland is one of them.

Mr. Scott: No.

Mr. Morin-Strom: It is not one of them? Are you familiar with the Tilden mine?

Mr. Scott: No, I am sorry. I know of it but I have never been there.

Mr. McGuigan: To fill me in on the background, what countries in South America are shipping the iron ore?

Mr. Scott: I tend to get the iron ore and coal mixed up. I think iron ore is shipped from Brazil, but I could be wrong. The coal is from Venezuela. There is some ore coming out of Venezuela now too, sir.

Mr. McGuigan: So there is fairly close shipping from those spots up to the US ports.

Mr. Scott: I do not want to mislead you. I know very little about iron ore on an international basis. There has never been any reason for me to study it. I have been extremely interested in it because people who were studying it 15 or 20 years ago were saying we would be confronted with the kinds of problems we are now facing in North America.

Mr. Wildman: How many years were projected of ore left at Caland and Atikokan if the company had decided not to shut down at the current level of operation?

Mr. Scott: None. We believe we would have been losing money the next year. There is no question about that.

Mr. Wildman: You are saying basically that ore is determined by whether it is profitable, whether it is ore or not.

Mr. Scott: There is certainly mineral there. We do not know how much but I suspect there is more left in the ground than what was taken out. That is only a supposition on my part, but we saw nothing to indicate that the width of the ore zone was narrowing. We did not know where it bottomed.

Mr. Wildman: From your other answer am I correct in assuming that you are not aware of the projection of 25 more years of ore at the Algoma ore property at Wawa--

Mr. Scott: No, I am not, sir.

Mr. Wildman: --or that the shift from 60 per cent of the ore historically going to Algoma Steel from Wawa is now down to about 40 per cent with the higher level now coming from the Tilden mine in Michigan?

Mr. Scott: No. I do not know those percentages, but that was talked about at the time Tilden came on.

Mr. Wildman: Are you familiar--I do not know what the term is in business--with the take-or-pay type of arrangements among companies when they have a property such as the Tilden operation? In other words, are you familiar with the arrangements of companies which have to indicate how much ore they are going to take, and even if they do not take it, they still pay for it?

Mr. Scott: I have no first-hand experience of that, but I understand those arrangements exist in order to know where the cash is going to come from to operate.

Mr. Wildman: I understand the Tilden mine is managed by Cleveland Cliffs.

Mr. Scott: I do not remember.

The Vice-Chairman: I would like to ask Mr. Scott a question as a supplementary to Mr. Stevenson's. We talked a lot about Brazilian pellets being highly competitive with North American-Canadian pellets specifically. I have the only other two iron ore mines in Ontario in my riding, the Sherman and Adams mines in Temagami and Kirkland Lake. They are the only mines in North America that are 100 per cent dedicated to producing a flux pellet in order to be more competitive.

The parent company that owns these two mines, Dofasco, feels this pellet is more energy efficient in the foundry so it is easier on the refractory linings which are very costly to replace. I am sure you know that; I am just letting that out for the committee. Is there still an advantage to the untreated Brazilian pellet? I presume it is not a flux pellet, but a plain pellet compared to the flux pellets that foundries in Hamilton would be purchasing. Can we get an advantage--

Mr. Scott: I do not know, Mr. Chairman.

The Vice-Chairman: Are there any other questions of Mr. Scott? On behalf of the committee, we would like to thank you, Mr. Scott, for coming before us today. We appreciate it very much. We have a serious situation that we have been wanting to address. We thank you for shedding some light on it.

Mr. Scott: Could I have a word?

The Vice-Chairman: Yes, you may.

Mr. Scott: I am of very little help on the international competitiveness of iron ore and that whole area, which is a key one. If it would help the committee in its deliberations, I can attempt to identify for you, through Inland Steel and other contacts, someone who understands that international picture. It would then be up to you whether you want to invite him or her to appear before your group. I have no idea who it would be.

The Vice-Chairman: We thank you for your offer. I am sure the committee will consider that. We will get back to you as soon as possible after we have considered it to see if we can take up that offer. It is most generous. Thank you again for joining us.

Mr. Scott: Thank you very much.

4:50 p.m.

The Vice-Chairman: I would like to call before the committee Mr. Gordon. Thank you, Mr. Gordon, for joining us today. Mr. Gordon is a steel industry analyst with McLean McCarthy Ltd. We appreciate his time and effort in being here before us.

Mr. Gordon, do you wish to start with any sort of opening statement or would you rather answer questions put to you from committee members?

J. M. GORDON

Mr. Gordon: Why do we not start with questions and I can react to them as they come along? If I have anything I think should be said that was not asked, I will be able to say it, I gather.

The Vice-Chairman: All right, that is fine. Thank you very much. I will start by taking a speakers' list. I have three so far.

Mr. Morin-Strom: Mr. Gordon, perhaps you can give us a little bit of your background as an introduction and tell us how long you have been studying the steel industry.

Mr. Gordon: I have been an investment analyst for some 25 years. I have been following the Canadian steel industry, mainly the big three steelmakers, for the last 14 years.

Mr. Morin-Strom: You may or may not be aware that I worked more or less as a financial analyst for Algoma Steel for the last five or six years before being elected to represent Sault Ste. Marie. You probably have a right to be critical of me in respect to some aspects of the steel business. Certainly, you have been very critical of Algoma Steel in the past.

Mr. Gordon: I am afraid so.

Mr. Morin-Strom: I am very familiar with a number of statements you have made, over recent years particularly, concerning Algoma Steel management and its actions and its competitive position generally. Could you tell us what Algoma's competitive position is, as you see it, vis-à-vis the other two Canadian steel companies, and then expand to the North American market vis-à-vis the major US steel producers and on to the world scene?

Mr. Gordon: Algoma's competitive position vis-à-vis Dofasco and Stelco is not terribly important because the three do not compete very much with each other. First, their product lines are quite different. One of Algoma's biggest mistakes, certainly in the last five or six years, was deliberately to emphasize its investment in the most cyclical and capital-intensive aspects of the steel industry. If you are in a cyclical business to start with and you pour all your money into the product lines, which are more cyclical than the industry as a whole, you are taking a hell of a big risk. That is what they did and now they are paying for it.

In the limited product ranges in which Algoma, Stelco and Dofasco do compete, which is mostly hot and cold rolled sheet and strip, only in the last year or so have we actually seen out-and-out price competition among them. That was when Algoma started discounting about a year ago by five per cent or \$25 a ton for hot rolled sheet and strip. This finally became sufficiently successful that Dofasco and Stelco had to react. The result was all three were discounting for a few months. They have now sorted that out and they have stopped it.

Basically, the history of the big three is that, partly as a result of the different product lines and partly by gentlemen's agreement, there has been very little competition among them. They have tended to complement rather than compete with each other.

Mr. Wildman: Could I ask a supplementary on that? I have a quote from the Sault Star from you, Mr. Gordon.

Mr. Gordon: Let us hear if they got it right.

Mr. Wildman: It relates to what you said about Algoma Steel's decision to get into even more cyclical sectors. It says: "They have screwed themselves starting in with that seamless tube mill. They have deliberately decided to concentrate their investments, facilities and efforts in the most cyclical product lines of a very cyclical industry. They put \$225 million of their own money and \$150 million of the taxpayers' money into this seamless tube mill. That is a very cyclical business; it always has been."

Then you go on at some length about the quench and temper lines. The final part of the quote is, "The result is that since 1981 they have been up the creek." Is that accurate?

Mr. Gordon: Yes.

Mr. Wildman: Okay. Can you explain for the committee how they screwed themselves and why they are up the creek?

Mr. Gordon: You said there was a vote at 6:15, did you?

First of all, I want to make clear that when I speak of Algoma

management, I am not speaking just of Dr. J. Macnamara and Peter M. Nixon but I am talking about the CP board, without whose agreement Messrs. Macnamara and Nixon could not have begun to think about spending \$300 million on a seamless tube mill.

The trouble at Algoma, and this goes back even to the mid-1960s when Messrs. Barber and Holbrook were running the show, is that they simply do not seem to understand that they are in a cyclical business. Every time they get a bit of a boom, they react by going out and spending themselves blue in the face. Barber and Holbrook went out and started to build what amounted to a whole new steel mill in the late 1960s. They had a very tough time of it in 1971 and 1972. They made some money in 1973 and 1974 and they gave it all back in spades in 1975 and 1976. Macnamara and Nixon did the same thing with the seamless tube mill.

To understand what they did, you have to go back to the mid-1960s when Mannesmann acquired 25 per cent of Algoma from the Sir James Dunn estate. That was followed by an investment in the seamless tube mill. Up until the early 1970s, that was the world's leading producer of casing and seamless tube and pipe. They put a seamless tube mill into Sault Ste. Marie, which was going to be fed by Algoma-made steel.

The mill did not make very much money. Algoma did not make very much money. It paid dividends only sporadically and those dividends were in Canadian dollars and the Deutschmark kept going up against the dollar or the dollar kept going down against the mark, and the result was that the Mannesmann investment was a bit of a disaster for them. They finally decided to get out. That is when CP went and bought its 25 per cent interest, which subsequently increased to the more than 50 per cent they still have today.

Mr. Wildman: It is 61 per cent.

Mr. Gordon: Right. Having gotten out of Algoma, Mannesmann was left with the seamless tube mill and a sales office in New York. The seamless tube mill was costing them money. They tried to sell it. They could not. Finally they decided they were going to shut it down. Algoma did not have the wherewithal to buy it. Algoma could not afford to lose it because it was the only outlet for the tube rounds they were making, so they leased it from Mannesmann.

Here they had a fairly modern mill capable of making 250,000 tons of pretty high quality products by North American standards in the mid-1970s. The total financial overhead on that mill was \$1 million a year; the lease payment to Mannesmann. They did not own the mill so they could not depreciate it. They had not built it, so they had not borrowed any money to build it with. There was no debt to repay. There was no interest to pay on debt. One million dollars a year.

When the price of oil took off, drilling came alive in North America. An industry which had not been doing anything for decades suddenly began going crazy. The demand went right through the roof, and the prices went through the roof. All of a sudden, Algoma was making obscene money out of the existing seamless tube mill. They were getting as much as \$2,000 a ton for products which two years earlier had been selling for maybe as much as \$800 with no financial overhead. The leverage on something like that is mindboggling.

At the time that the federal government was projecting that the price of oil was going to \$60 and \$100 a barrel, Algoma did the same thing. The result

was that they started build a new mill--a \$300 million investment. If you do some simple arithmetic, you can see that second mill never really had a chance of making a decent return on investment.

If you depreciate a \$300 million property over 20 years, you have \$15 million a year of depreciation. That is 15 times the \$1 million they had in the first mill. If you are going to attribute interest costs for \$300 million--at the time they started the mill, interest charges were going through the 10 to 15 per cent range so, even if you use only 10 per cent, which is what you would need to pay for long term money today--it is \$30 million a year. We have not even begun to talk about repaying debt. So, the financial overhead was going from about \$4 a ton to maybe \$250 because the new mill was only going to have 200,000 tons a year capacity, not 250,000.

Even though the new mill was going to be more efficient in terms of its energy requirements and in terms of its labour requirements--it was going to produce a higher quality product, it was going to produce a complementary product which would broaden their product range; it was going to do all sorts of wonderful things--it had a major strike against it before they even put the first crane on the ground. Obviously, since then, the whole market for casing has totally collapsed, not once, but twice.

They decided to finish it with the taxpayers' money although Algoma strongly denies that it used the taxpayers' money.

5 p.m.

Mr. Wildman: It is a tax deal with the federal government.

Mr. Gordon: It is a deal whereby Canadian Pacific will not pay \$150 million in taxes. That is out of my pocket and I object most strenuously. For Algoma to scream about unfair competition for imports when it gets investment tax credits, capital cost allowances, deferred taxes and now \$150 million in addition, it has not got a case. It is all a question of whose bull is being gored. Right now, it is mine.

You do not have the \$350 million mill but at least a \$500 million mill. It will never break even. There is some question as to whether they should not forget to even open up.

Mr. Morin-Strom: Getting back to my question, we have heard some of your opinions on the problems up to this point. At this point though, the company faces a very serious situation, certainly in terms of the debt load. What is your opinion of the proposed action plan, as they call it?

Mr. Gordon: They have been thinking about it for two years, and things have finally gotten desperate enough for them to actually start doing it. Algoma used to be a 3.5 million ton a year company trying to become a five million ton a year company. Now it is going to become a 2.5 million ton a year company. At 2.5 million tons, it may even be able to make some money in a strong market. Given the product mix and what is happening in the steel industry in terms of total steel consumption and the secular change in the demand for steel, they have not got a hope in hell of making money for more than two of five years. What they make in those two years, except in a tremendous steel boom, they will give back twice over in the other three. That is not a viable basis for any kind of company, let alone a steel mill.

Mr. Morin-Strom: With the current product mix at 2.5 million tons of raw steel, can they carry the debt load they have today?

Mr. Gordon: That is very hard to say. I do not know. I can tell you this. I had a very interesting experience last week. They are putting up the new bank of Nova Scotia building down on King Street. About a month and a half or two months ago, I was walking by and there was a truckload of heavy structural steel beams being delivered. Being in the business I am in, I asked where they were coming from. Sure enough, they were from Algoma. They had been fabricated in Sudbury.

Since then, there have been no trucks. Every day I look down into that pit; I still do not see any structural steel. All I see is concrete and rebar. The biggest, thickest reinforcing bars I have ever seen in my life, but rebar. It turns out that they are now putting up the world's tallest reinforced concrete building--68 stories. It used to be that 30 or 35 floors was the limit. Now we are up to 68.

That means that even if we were to have a capitalist spending boom in Canada of unprecedented proportions and even assuming that the boom was to be concentrated, not in computers--which have damned little steel in them--but in the kind of heavy structural steel plate and beams and what not that Algoma is involved with, there still would not be enough demand in tonnage terms to give Algoma enough to live on. Booms like that do not happen more than once in 20 years. You have already had one for the last part of this century.

Mr. Morin-Strom: So they have a serious problem in both structural steel and plate?

Mr. Gordon: They are the same thing. Most plate is used for structure.

Mr. Morin-Strom: What other actions could be taken at this point?

Mr. Gordon: I think they are doomed. They do not have a hope in hell for at least five years. All they can do is try to survive.

Mr. Morin-Strom: Doomed? Do you think Canadian Pacific is going to give up on the company?

Mr. Gordon: I think CP will walk away the minute it has to cost them money.

Mr. Morin-Strom: What about the AMCA holding?

Mr. Gordon: What about it?

Mr. Morin-Strom: Has that been to any advantage to Algoma Steel?

Mr. Gordon: If they had sold it two and a half years ago when I suggested, they could have got \$260 million for it. Today it is not worth \$200 million and there is some question as to whether it could even be sold at that price. These are not 1983 dollars. They are 1986 dollars. There has not been a dividend from AMCA for a year and a half. They have been booking their share of AMCA's losses for the last two and a half years.

Selling AMCA is not that simple. It is still not making any money. The first quarter, it lost the equivalent of 26 cents a share. That was a charge against Algoma's earnings of \$4 or \$4.5 million. Who is going to buy a company like that? Who is going to buy a company and AMCA's businesses--a company which has not made money for so long--and at what price? It is a big issue--ll

1/2 million shares--to float in the Canadian market. If Algoma sells its shares, that leaves CP with only 16 or 17 per cent of the company. That leaves CP in a very funny kind of position. They cannot even equity account it, let alone consolidate it, unless CP itself bought it.

Mr. Morin-Strom: Has CP really been the only beneficiary of those shares, in that it gave them controlling interest?

Mr. Gordon: Nobody has benefited very much from being an owner of AMCA for the last four years.

Mr. Morin-Strom: Over the long run there has been a tremendous gain though in the--

Mr. Gordon: There has been a gain in the market value of the shares, but if you look at AMCA's books, there is nothing there. I can assure you that the book value per share of AMCA's stock, which the company claims is still over \$9 a share, taking out the obvious accounting nonsense from their published financial statements, is not \$2.50 a share. If I were an executive officer of CP and I could see AMCA's books, I would be looking at minus 20. The question is why should I pay \$17 or \$18, which is the current book value of AMCA's stock, for something which I know has no real value once you strip out the accounting theory.

The Vice-Chairman: Anybody who wishes to phone their broker right now--

Mr. Gordon: The market is closed, and I will beat you to it in the morning.

The Vice-Chairman: The tremendous information you have been giving us has all been very pessimistic. Is there any feasible way they can adjust their market? Is there a plan to change the market that would be viable?

Mr. Gordon: That is the worst part of it. I wrote a lengthy piece after I saw their fourth quarter results, in which I said that they are damned if they do and damned if they don't. Even if Algoma could come up with the money--and we are talking literally hundreds of millions of dollars--to modernize its other facilities and increase its sheet and strip capacity to make them more cost-effective and give them some economies of scale, it would be an asinine thing to do because even the sheet and strip markets are in a glut.

US Steel tried to raise prices by three per cent, effective May 5 and it never got off the ground. It is having trouble keeping in effect the very nominal price increases it introduced on January 1.

The sheet and strip metals are catering to the auto industry almost entirely and General Motors said in a paper last week that by 1990, three and a half years from now--1990 is not in the distant future any more--20 per cent of their cars will have plastic, not sheet metal skins. In other words, even the Stelcos and Dofascos are catering to a rapidly shrinking market.

Mr. Wildman: That could help you out.

Mr. Gordon: In terms of particular kinds of resins and consumption of oil, it does not amount to a hill of beans.

Mr. Morin-Strom: Would you say that when products are mixed they should have a less cyclical product mix. The only major aid that comes to mind is a greater emphasis in sheet and strip which, of course, there has been a very small percentage for Algoma relative to other big steel companies. It really does not have the basis to build into a major sheet and strip producer without unbelievable amounts of money. I cannot see that as a realistic option.

Mr. Gordon: Even if you could find the money: (a) you could not justify it, and (b) you would be crazy to do it because your chance of ever making any money are nil. You would simply be adding to a glutted market. In other words, the entire steel industry of North America is shrinking. The only question is now fast. In the United States, five or six major integrated mills are left and at least three of them are on the verge of bankruptcy.

Mr. Wildman: If it is all right, Mr. Chairman, I think I will proceed with some quotes elicited from Mr. Gordon.

Mr. Gordon: They are going to come back to haunt me.

Mr. Wildman: In another quote, you say: "At the root of Algoma's problems are past decisions. Algoma's mistakes are only five or six years' old, seven if you want to stretch a point, but they are going to have to live with them for 15 to 20 years." Obviously, as a representative of the area, it is not just Algoma that is going to have to live with them, there are the sharenolders, and it also a very large community.

Mr. Gordon: That is the really tragic part of it. If it were just that the CP board had made a big mistake and as a result its investment would go down in value, fine. Mind you, CP is not just a lot of fat cats who suffer a dividend cut, CP is owned basically by the people in this room who are patients, but when the management of a company like Algoma, a very large company in a very small town screws up on the scale it did, it is the poor SOB who was doing what he was told for 20 or more years out in the mill who suffers. I do not know how you cope with it.

5:10 p.m.

Mr. Wildman: You said also that if it does a few intelligent things, such as making the whole company smaller and more efficient and getting rid of the senior management people who got it into this jam in the first place, there is a chance that Algoma could make a little bit of money at the peak of the cycle and maybe even a little bit of money at the bottom of the cycle.

Mr. Gordon: I repeat myself, do I not?

Mr. Wildman: I am trying to elicit from you a comment on what it has decided to do. It has decided to make the company smaller. You said earlier that it should have done that maybe two and half years ago.

Mr. Gordon: That is when it first started thinking about it.

Mr. Wildman: Do you think its program of action--getting out of ingot production, for instance--is going to put it in a situation where it can make a little money even at the bottom of the cycle?

Mr. Gordon: It is possible. I have no way of knowing. The key now, assuming that it can implement this action program successfully, is what will happen to the steel market, and the steel market is headed down. The only

question now is how far and how fast. The potential for trouble, especially in the United States, is quite mind-boggling. If the US price structure falls apart, it will hurt us here. We have a big advantage here in Canada. We have a 72-cent dollar. It plays havoc when you want to buy oranges but it is great when you want to sell cars into the US, especially if the guy who is selling in the US is making them here in Canada.

That does not benefit Algoma all that much because it does not sell that much to the auto industry. All it will do for Algoma if the auto industry holds up is to keep the general price structure in the steel industry a little firm. If the automotive market weakens, as it has already begun to do, you have chaos. In the first four months of this year, US passenger car sales are down 1.5 per cent. Sales of cars made in Detroit are down 10 per cent. The difference is being made up by imports and by cars assembled in Japanese-owned plants in the US. There is no American steel in those plants.

Mr. Wildman: I have another quote from you with regard to this action plan, in which you say, "Anything that will reduce the steelmaker's long-term debt will be considered a step in the right direction."

Mr. Gordon: I believe in motherhood too.

Mr. Wildman: Yet one of your competitors, Greg Liddy of Merrill Lynch, says he believes the effect of the current action plan on Algoma's situation will be fairly neutral. How do you respond to that?

Mr. Gordon: One of Algoma's problems is that it lost a fair amount of money in the first quarter of this year. It added \$35 million to its long-term debt, which was already \$675 million, and it added another \$10 million to its short-term debt. It will incur another substantial loss in the second quarter. It will probably lose money on a fairly significant scale throughout the second half. It has to spend \$50 million in plant modifications to implement this action program.

You have a situation where Algoma is going to add an absolute minimum of \$100 million to its already excessive long-term debt this year, perhaps as much as \$150 million. The question is not how much long-term debt it adds, the question is not even the relationship between its debt and its equity, because as Stinson of Canadian Pacific indicated and was quoted to that effect in the Globe and Mail just last week, there will be major write-offs--

Mr. Wildman: They are going to write them off.

Mr. Gordon: --which will eradicate a major portion of what is left of Algoma's equity.

Mr. Wildman: Could that be the ingot-production facility?

Mr. Gordon: Possibly.

Mr. Wildman: And maybe the tube mill?

Mr. Gordon: Let us put it this way: If they were smart, they would write the damned thing down to \$1. They should have done that a couple of years ago. On the basis of their record, they will not.

Mr. Wildman: Because you do not think they are smart.

Mr. Gordon: I think they have proven that.

The Vice-Chairman: You do not mince words.

Mr. Gordon: I am known for subtlety.

Mr. Wildman: In relation to that, you also talked about the hot rolled sheet, and you criticized Algoma Steel for cutting \$25 a ton, discounting basically. You thought this meant it was trying to gain a larger market share. Why do you think that was a bad move?

Mr. Gordon: It does not work.

Mr. Wildman: Why not?

Mr. Gordon: After a few months it ended up having the other two competitors do the same thing.

Mr. Wildman: Dofasco and Stelco.

Mr. Gordon: Exactly. All that happened was that they all gave away \$25 a ton to their customers; nothing significant was changed. Algoma has not increased its market share over the longer term. They are right back to where they were, except all three are a bit poorer.

Mr. Wildman: Have you seen Algoma's reports for the first quarter?

Mr. Gordon: In obscene detail, to the extent it publishes information. I can show you the information. It is right here. I have 30 or 40 charts plotting the quarterly results back to 1978-79.

Mr. Wildman: Where do you think the company is going, even if it implements this plan?

Mr. Gordon: It is not going any place. It can perhaps survive. The only thing I am concerned with is that it not become a ward of the government.

Mr. Wildman: In that regard, you said Algoma Steel would survive but only because the government would not let it collapse.

Mr. Gordon: Exactly. That is what worries me.

Mr. Wildman: You also said there are "too many jobs, which means you and I are going into the steel business whether we like it or not. I don't like it."

Mr. Gordon: I am already in the steel business. We have money in one sinkhole in Cape Breton because it was represented by Mr. MacEachen. We have another sinkhole in Montreal call Sidbec-Dosco. I do not want a third in the sault.

Mr. Wildman: You would rather see it sink?

Mr. Gordon: That becomes an interesting question. In the United States in the past three or four years, a number of the major integrated mills have shut down obsolete facilities. We have had a number--almost a dozen--of the so-called minimills, supposedly the efficient

electric turnace producers, go bankrupt. Those mills, having been shut down, are now being reopened. They are being bought by new investors at a fraction of their original cost. The debt has been swallowed by the banks that lent them money. The equity of the original investors was simply eradicated. It disappeared. The same union workers who used to work in those mills for \$20 or \$25 an hour are now working for \$13 and \$15 an hour and happy to get the jobs. A great many of these mills have become viable operations again.

Mr. Wildman: Is the market not wonderful?

Mr. Gordon: Unfortunately, it is something called discipline. It is like growing up. As your children grow up, you impose discipline on them so they can eventually stand on their own two feet. If you do not do that, you end up raising cripples.

Mr. Wildman: I understand what you are saying, but basically you are saying the community, the banks and the workers pay for the mistakes of management.

Mr. Gordon: That is the problem exactly. To hell with the banks, but the workers and the community do not deserve it.

Mr. Wildman: I would like you to respond to some of the things Jamie Melville of Algoma Steel said in response to your comments. He said your comment that Algoma might become a ward of the government is irresponsible and not based on fact. He said, "There are a lot of companies in the US in a lot worse situation than Algoma is and Algoma does have the benefit of some pretty good facilities," and that the steelmaker's current problems are manageable.

He also said there are steel companies in the US that should not be in business, which leads to overcapacity and depressed prices as each company struggles to capture a share of an ever-dwindling market.

How do you respond to Mr. Melville's statements that the views you expressed were irresponsible and not based on fact, that there are a lot of companies in the US in worse shape and that Algoma's situation is manageable?

Mr. Gordon: That there are companies in the US in worse shape is indisputable. The difference is that neither the federal nor state governments in the US have shown any inclination to bail out such companies. Here in Canada we have a different attitude towards these companies and it costs us very dearly.

Jamie's definition of "irresponsible" is his; I cannot argue that with him. When I say Algoma might become a ward of the government, he can argue with me until doomsday until it actually happens. I can only tell you I warned senior Algoma management in December 1979 that the seamless tube mill would be the biggest mistake they had ever made.

Mr. Wildman: Mel Soucie claims he warned them the same way.

Mr. Gordon: Mel who?

Mr. Wildman: Soucie. He is a federal government economist in the north.

5:20 p.m.

Mr. Gordon: I do not know the name. I warned them again a year and a half later. A year and a half ago when they had the presentation on the Superior limited partnership, there was an old fogey of an analyst at the back of the room who asked how they explained going ahead with this investment when the number of oil rigs in operation in the US had fallen in the previous six months by more than 25 per cent. I was told: "Do not worry about it. It is a temporary aberration." Now they do not have 2,500 rigs operating; they do not have 1,900 rigs operating; they are down to 800 rigs. If I am being irresponsible, what can I do?

Mr. Wildman: Obviously, you feel someone else was irresponsible.

Mr. Gordon: I would not throw away \$500 million. If I threw away even \$5, it was my money, not the shareholders' money and not the taxpayers' money.

Mr. Wildman: You said: "Algoma is going to be just like Sydney Steel in Cape Breton; they are going to pour zillions of taxpayers' dollars into it. It will not pay taxes but it will generate jobs. No government is going to let Sault Ste. Marie's major industry fail."

Mr. Gordon: Do you want to argue with that?

Mr. Wildman: No, I do not. You see that as what is going to happen?

Mr. Gordon: Do you really think that either the federal or provincial governments can, as a political matter, allow the remaining 8,000 or 9,000 jobs in Algoma to disappear? I do not think so. It is like wiping Sault Ste. Marie off the map. It is already a highly prosperous part of the country.

Mr. Scott: Can we allow them to phase them out?

Mr. Gordon: Who is going to carry the burden while it is being phased out? Who has carried the can while Sysco was being phased out over the last 15 years since Hawker Siddeley walked away from it?

Mr. Morin-Strom: Is Canadian Pacific in the process of phasing out the company?

Mr. Gordon: You will have to ask CP.

Mr. Morin-Strom: What about the Wiarton-type option? Perhaps not the type of option that--

Mr. Gordon: The which?

Mr. Morin-Strom: The Wiarton Steel plant where they went to an employee buyout because National Steel basically said, "We are going to shut it down." They then offered it to the employees.

Mr. Gordon: You still have the problem of product mix. It does not matter who runs the mill.

Mr. Wildman: The market is still the problem.

Mr. Gordon: It does not matter who owns it; it does not matter who is running it. The question is, is there a market for the product and is

that market sufficiently large to enable the company to survive, forget about making money? The answer is that market, having had a tremendous boom from about 1977-78 to 1981, has virtually disappeared.

Mr. Morin-Strom: You think it is fundamentally the market. Algoma management's argument is the cost structure, not the market, and that Algoma's problem is operations and costs.

Mr. Gordon: The problem is basically that management did the wrong things at the wrong time for the wrong reason. When Algoma's existing seamless steel mill was operating absolutely flat out, 21 turns a week, seven days a week, making every ounce of casing that it could make, which were being sold at obscene profits, what did Algoma do? It printed four-colour brochures extolling the virtues of its product, a product of which it could not deliver an extra ounce. When Algoma was making all kinds of money, the Algoma employees newsletter went from a very plain four-page document to a 12-page colour document. They were making so much money they did not know what to do with it. To me that is stupid.

Mr. Morin-Strom: Are you just saying this in hindsight?

Mr. Gordon: No, I said it at the time. You can ask the senior people at Algoma about it. They are not liars.

Mr. Morin-Strom: What about the number seven blast furnace?

Mr. Gordon: What about it?

Mr. Morin-Strom: Was that--

Mr. Gordon: It is a relatively small item. It is not going to make that big a difference one way or the other at this stage of the game.

Mr. Morin-Strom: No.

Mr. Wildman: In the Financial Post you said--

Mr. Gordon: I talk to a lot of people, do I not?

Mr. Wildman: I am interested in Algoma Steel and I am interested in what people say about it. You said: "They still have a lot of other problems. What they should do is cut out the management."

Mr. Gordon: Yes. That is pretty much what I said to you this afternoon, is it not?

Mr. Wildman: But you see the problem that you give me, even if CP, or whoever, or the board of Algoma Steel, were to say, "All right, we have seen some major mistakes by our management and we are going to change the personnel at the top." You are also saying even if they do that, they are in a market situation and they put themselves in a corner that they are going to have to live with for the next 10 to 20 years anyway. It does not make a hell of a lot of difference whether you change the personnel.

Mr. Gordon: Not any more. The mistakes are made. When I first started to work in the steel industry 14 years ago, Peter Gordon of Stelco told me--and at the time he was making the final decision of whether to go ahead with the Erie project or not--that in the steel industry you have to

make your decisions very carefully because you live with your mistakes for a long time. That is exactly what has happened to Algoma.

Mr. Stevenson: Just to separate the management problems from the market that exists today, if Algoma could be taken over at three cents--30 cents on the dollar--

Mr. Gordon: Three cents is much better, but go ahead.

Mr. Stevenson: Let us say 30 cents on the dollar. Is the market today sufficiently viable that the company could continue to operate in a reasonably successful manner?

Mr. Gordon: I do not have sufficiently detailed financial information for Algoma to be able to answer that question on a really intelligent basis, but off the top of my head I think it would take more than that. Reducing the financial overhead, which is what you are talking about, is only part of it. Algoma is already a company that does not pay taxes. In fact, it is the other way around.

Mr. Wildman: It has not for a long time.

Mr. Gordon: Dofasco in one quarter last year charged more income taxes against its earnings than Algoma had paid for the previous 10 years. You might ask yourself why one company in Hamilton can do so well where another company in Hamilton, literally across the street, does not do well and the company up in the Sault has done what it has done. They are all in the steel business.

If Algoma were to be run by someone who had dramatically lower financial overhead it would make a big difference, but you still have the fundamental problem. How do you sell plates into a market that does not want any and which, even when it needs some, needs fewer and fewer all the time? Algoma's high-strength, quenching-tempered plate is an excellent product, but it means that the guy buying it is buying one ton instead of the three that he used to buy when he bought the ordinary product. It is stronger. That adds to the structural decline in the demand.

Mr. Wildman: In relation to what you have said about Dofasco for instance in passing, and in relation to my earlier questions to the other gentleman regarding the iron ore part of the operation, one way that Dofasco has assisted and has been able to continue operating the Sherman mine is that it is using a mix--since this is the chairman's riding, he should listen.

The Vice-Chairman: Oh, excuse me.

Mr. Wildman: It is using a mix of offshore product as well as domestic product to lessen its cost. Do you have any understanding of Algoma's situation with Wawa and Tilden as opposed to offshore? I have been told, for instance, that it could have purchased ore offshore and saved \$2 million last year.

Mr. Gordon: I am surprised that it would be only \$2 million. Algoma has a fundamental problem buying iron ore or coal offshore, and that is its location. Bringing ore through the Great Lakes and up to the Sault is a very expensive proposition. You would have to unload it and load it at least once before you got it into Sault Ste. Marie because the ocean-going carrier could not get through the locks.

Cleveland Cliffs just announced that Tilden will run at 50 per cent of capacity this year because not only is there the fundamental problem of much less expensive Brazilian and Venezuelan ores glutting the market but also the customers do not need it. Its American customers, the mills that are the other owners, are just not using that much iron ore. It is that simple.

Mr. Wildman: In analysing the operation of Algoma Steel, you said that when it first started thinking about down-sizing you were in agreement that it should have moved in that direction earlier.

Mr. Gordon: One of the reasons it did not do it earlier was that it was going to cost money to do it. It did not have the money.

Mr. Wildman: From your point of view, as an analyst in terms of the company's operations, would you advise it to get out of one or both of the Algoma ore operations and the Tilden operation in Michigan?

Mr. Gordon: I do not have enough specific information about either Tilden or Wawa to answer that.

Mr. Morin-Stron: In terms of the specific down-sizing, do you have a recommendation in terms of the number one steelmaking shop versus the number two steelmaking shop and the fact it is proposing to put more money into what would appear to be a very ancient shop, number one shop, rather than put a new task on to number two?

5:30 p.m.

Mr. Gordon: They do not have much choice, I do not think.

Mr. Morin-Stron: They have to continue operating number one.

Mr. Gordon: They not only have to continue operating number one, but the program they have outlined is a \$50-million proposition. If you are looking at \$100 million to do something which, in the long run, might be a better idea, where is the money going to come from? Where is the \$50 million going to come from? Would you lend it to a company that has not earned anything for four or five years now?

Mr. Wildman: One of the things Algoma has asked of the companies associated with this operation is concessions. For instance, they have asked Algoma Central Railway for a cut in the transportation cost. Algoma Central claims that since 1982 they have flat-lined the charge so that they are substantially lower than those other transportation companies are charging other companies for similar transportation. Can you comment on that?

Mr. Gordon: No. I can only tell you this. What you are describing is Gresnam's law in operation with its usual vengeance. The bad brought drag down the good. Algoma cannot afford to pay the railway the going rate, so it asks for concessions. The railway does not make as much money; therefore, the railway cannot do something. It just spreads like a disease right through the economy. It is a cancer.

Mr. Wildman: Algoma Central Railway has not made money on its rail operations for some time. Their moneymakers are their ships.

The Vice-Chairman: Mr. Wildman, I am so used to how we do estimates; we usually go person by person.

Mr. Wildman: I am finished.

Mr. Stevenson: I have a few brief questions here. With the ore coming in from the South American countries, Brazil and Venezuela, are they so anxious to get American currency that they will put it in at any price?

Mr. Gordon: I do not know the position of either the Brazilians or the Venezuelans in those terms. I can tell you this. Imported ore is not Algoma's problem; it is not Tilden's problem and it is not Wawa's problem. Tilden's problem is basically that there is not enough demand to sustain operations of the mine at an economic level. Anything that operates at 50 per cent of capacity is in trouble by definition; I do not care how efficient it is.

Mr. Stevenson: Has there been any indication of any American action through the International Trade Commission or the Department of Revenue to step in to support their domestic producers of ore, in particular, and to a lesser extent, steel? They have already taken actions in some specialty products.

Mr. Gordon: They have not taken any action against the Canadians yet, except for a very minor thing on--

Mr. Stevenson: Wire or something?

Mr. Wildman: They wanted to stamp it.

Mr. Gordon: Yes, but that was a threat; nothing ever came of it. They have taken action now against casing, pipe and tool from Algoma and Ipsco, but it is not a major thing. Again, that is not the problem. Canada is the only country that has not been persuaded to enter into a voluntary restraint agreement with the US, and God help us if they ever persuade us.

Mr. Stevenson: You state quite clearly that in Algoma's case it is not a government tax problem. Are there tax policies in Canada that are hurting the steel and iron ore sectors in our country?

Mr. Gordon: I do not see how we can claim that a company is being hurt by taxes when it does not pay any. In fact, it gets money from the government.

Mr. Wildman: It is \$150 million.

Mr. Gordon: Forget the \$150 million. What about the deferred taxes? There is \$300 million on the books of each of Stelco and Dofasco. It is a long-term, interest-free loan that will probably never be repaid. I would love to get a couple of loans like that. The only reason Algoma has not got that kind of loan on its books--

Mr. Pierce: They are chasing me for my tax.

Mr. Gordon: They do not even chase me.

Algoma used to have a huge deferred tax liability on its books, which has simply been eroded by the fact that they were not profitable, but the company does not pay taxes and has not paid any significant taxes in cash for I do not know how long; so that cannot be the problem.

Mr. Stevenson: My last question is more frivolous in a sense, but in the interest of my pension plan and so on, what is the future of CP?

Mr. Gordon: I have no idea. Be grateful that Algoma and AMCA are only a small portion of the CP empire, but then ask yourself about the other pieces.

Mr. Wildman: CP has stated that it feels it is too vulnerable to commodity prices.

Mr. Gordon: I read the same newspaper article.

Mr. Stevenson: I will pass to Mr. Pierce.

Mr. Pierce: I made a comment earlier to Mr. Scott in reference to Scandinavian steel coming into the Canadian and US market at depressed prices that are subsidized by the Scandinavian countries. Do you know that to be a fact?

Mr. Gordon: No.

Mr. Pierce: Is it fiction?

Mr. Gordon: I do not know that I would go so far as to call it fiction, but I can tell you the quantities of steel involved are very small.

Mr. Pierce: What is the impact on Algoma then?

Mr. Gordon: It certainly had nothing to do with Algoma's casing, which the Scandinavians do not make. Algoma does not make high-speed tool steel. That is not Algoma's problem.

Mr. Pierce: It is my understanding that the role of this committee is to look into the impending layoffs by Algoma Steel. It appears from your comments that it is not the impending layoffs of the 1,500 people but the impending long life of Algoma Steel in the Sault that we should be looking at.

Mr. Gordon: Precisely.

Mr. Pierce: Our first problem is not to deal with the 1,500 jobs; it is to deal with the continuation of Algoma and whether it becomes a government orphan.

Mr. Gordon: That is exactly right.

Mr. Pierce: I do not think you have said--at least not that I have heard--anything that anybody else has not said about the steel industry, not only in Canada but also in North America. It is having some problems, and nobody sees those problems being lessened in this century.

Mr. Gordon: What you just said is the important thing. It is having problems, and we have seen only the tip of the iceberg of them. It is going to get a lot worse. Right now, the North America steel industry has only one viable market and that is the automotive industry. The automotive industry is going to be in big trouble in a year and a half.

Mr. Stevenson: As plastics take a greater role in the markets that have traditionally been steel, are we likely in North America to be

competitive in the production of those plastics, or are they also likely to meet extremely fierce competition from offshore?

Mr. Gordon: I do not think offshore will be a factor in those markets for a long time because the plastics that are being developed today for automotive use are of a new kind. The manufacturers of these engineered plastics, as they are called, will tailor them to your specific purpose, so you are not dealing with huge quantities of a bulk commodity but much smaller quantities of something that has been tailored. It is like buying a custom-made suit. There is just one that will fit you. The fact that you can go into a store and buy one off the rack is quite different.

The ability to make these plastics is by no means unique to the United States or Canada. The Japanese can do it and the Europeans are doing it, but it is going to be quite a long time before you develop a significant international trade.

Mr. Stevenson: This will all be a low-labour, injection-moulding type--

Mr. Gordon: The reason General Motors is getting heavily involved with plastics, something it resisted for a long time, is simply to get the labour costs out of its cars.

Mr. McGuigan: While driving in today, I heard an announcement on the radio that we have in stock right now the greatest number of cars since 1978.

Mr. Gordon: That is right.

Mr. McGuigan: I think it is almost two million vehicles.

Mr. Gordon: That is right.

5:40 p.m.

Mr. McGuigan: With the oil and the steel industry that were overbuilt now in collapse and the agricultural industry I come from in the same state, what is left to keep the whole country from going into collapse?

Mr. Gordon: You will have to ask someone far wiser than I am. I can only tell you if you look at the Canadian economy and you strip out the Ontario automotive industry, there is damned little left to talk about.

Mr. McGuigan: Lumber is still doing pretty well, as long as they keep taking our lumber to the US.

Mr. Gordon: They are screaming.

Mr. McGuigan: I have nothing to add, but I was struck by the pessimistic forecast. I tend to agree with your conclusions.

The Vice-Chairman: Thank you for that cheery note, Mr. McGuigan.

Mr. South: Mr. Gordon, you said the automobile industry would be in real trouble in a year and a half. Why?

Mr. Gordon: Because the Japanese, having been forced into a quota system under which they made incredible amounts of money, are now investing

that money in the US, and to a lesser extent in Canada. The plants they are putting up here are much more modern than our existing auto plants. Their labour force is younger. They are generally not unionized so the wage rates are lower. The fact that the workers are younger means medical and other benefits are much less expensive. They are using the very latest technology.

Mr. South: Are these plants in Canada and the United States?

Mr. Gordon: Yes, they are being erected by the Japanese. The single most important advantage the Japanese have is the way they run their plants. General Motors got a bit of a shock in its joint venture with Toyota in California. They have something called NUMMI, New United Motor Manufacturing Inc., which is producing Toyota Corollas in California. When they are made in California, they call them Chevy Novas.

GM is investing something like US\$6 billion in a new plant in Tennessee to be built literally from the ground up to make the Saturn. It is going to be the most highly robotized, automated, you-name-it plant in the auto industry in the world. The production efficiency Toyota management is getting out of NUMMI in California without robots, without extensive automation, using very ordinary American labour, has been absolutely shocking to GM. It is not the robots; it is the way you do things.

A company such as GM builds cars for six months vastly in excess of what it is selling and builds up inventories. About one million of those two million cars belong to GM, and then the people who are hired in October are laid off in April. The result is that not only have you got tremendous social disruption, the cost of which is totally incalculable, but also you have a steady stream of people on the production line at GM who are new at their jobs, do not really know what they are doing, make all kinds of mistakes and reduce the quality level of the product so no one wants to buy the cars.

People in the US today are more willing to go out and buy a Toyota or some other Japanese car and pay list price, which has risen 20 per cent compared to a year ago because of what has happened to the yen. They would rather do that than get an American car at 5.8 per cent financing and all sorts of wonderful discounts and incentives. That has to tell you something.

Mr. South: Are you saying the Japanese, for a number of reasons, are able to produce a better-quality car at less cost?

Mr. Gordon: That is what they are doing. They are not only doing it in Japan where they supposedly have cheap and docile labour, but also they are doing it in Ohio, Tennessee and California.

Mr. South: Why?

Mr. Gordon: Because of the way they run their plants, the management.

Mr. Wildman: They treat their workers better.

Mr. Gordon: They treat them like people. They also use an American philosophy of quality control. Dr. Dunning was laughed at in the US, and he went to Japan and started a revolution there. They are now exporting it back to the US. If you go into an American manufacturing plant or a Canadian plant--I was at Dorasco a couple of weeks ago--statistical process control is a big thing; it is something new.

Mr. South: They are not 10 feet tall.

Mr. Gordon: On the contrary.

Mr. South: In fact, they are actually quite short. If they can do it with American workers--

Mr. Gordon: They are doing it.

Mr. South: --just by using a different attitude, why the hell can we not do it? What do you perceive will happen at the \$2-billion plant GM is going to build in Oshawa?

Mr. Gordon: They are putting in a method of manufacturing cars that Volvo developed 10 years ago. They are buying a lot of the equipment from Volvo. Whether it will work, I do not know. I hope it does.

Mr. South: If we are that stupid, we deserve to go down the drain.

Mr. Gordon: Exactly.

Mr. Stevenson: Since you have very great concerns about where the automotive industry is going to be a year and a half from now, are you predicting that the economy is going to be in some considerable trouble a year and a half from now?

Mr. Gordon: The Ontario economy will fare reasonably well as long as there is a 72-cent dollar. As long as that is true, GM will shut down a plant in the US before cutting back on a plant in Canada. They are in business to make money, but if things get tough, sooner or later they are going to have to cut production here. I think things will get tough enough that they will have to do it.

Mr. Wildman: To get back to steel for a minute--

Mr. Gordon: It is all tied together.

Mr. Wildman: I know, but talking directly about steel, you have made comments and responded to questions with regard to Algoma Steel's mistakes in the past and its prospects in the future, as you perceive them. Do you see similar difficulties for the other two major steel manufacturers in Canada, Stelco and Dofasco? Or are they in a better position than Algoma because of product mix?

Mr. Gordon: They are in a better position than Algoma in almost every respect, but the distinction between Dofasco and Stelco is day and night. Stelco has some very fundamental problems. They too are living with mistakes that were made a long time ago, but things have not got nearly as bad at Stelco as they have at Algoma.

Mr. Wildman: Because they have a better, wider product mix?

Mr. Gordon: They have a wider product mix. Their financial position is not as bad, and by that I do not mean their debt-equity ratio. I mean they are still generating enough cash not only to service debts, but also to maintain their facilities and to do the things they have to do. They do have the most modern plant in North America, which eventually should be a money maker, but eventually could be a very painful process in the steel industry.

There are two successful steelmakers in North America: Dofasco, and Nucor in the US. They are both making a lot of money.

Mr. Wildman: Is one of Dofasco's problems, if it has one on the horizon, its close relationship with the auto industry?

Mr. Gordon: That is a myth. They are not dependent on the auto industry. They are less dependent on the auto industry than Stelco.

Mr. Wildman:: I see.

Mr. Gordon:: The Dofasco strength that is usually cited is that it does not have a union. That is a very valid observation.

Mr. Wildman:: Except that the steelworkers at Stelco tend to negotiate for the workers at Dofasco.

Mr. Gordon: Dofasco could not exist without that market price being set by the labour across the street. Nevertheless, even with the most docile labour force, if Dofasco did not do what it does, which first and foremost is to sell steel--Stelco takes orders for steel. When the market was booming, Algoma tried to hide from the phone, and today it does not know what to do. When the going gets rough, Dofasco gets out and sells the damned stuff. They have done it time and time again.

In 1978, the North American auto market began a long-term collapse, which took it way down to 1982, which was a disaster. Dofasco's earnings held up better and longer than any other steelmaker in North America. They had the only integrated mill, probably in the entire world, which stayed in the black in 1982, which in the steel industry was worse than the 1930s.

Mr. Wildman:: Can I ask you another question along those lines in relation to the US? You agreed there are a number of US plants in worse shape than Algoma. You also said governments in the US are less likely to bail them out.

Mr. Gordon": They have not done it until now.

Mr. Wildman:: On the other hand, they do offer all kinds of concessions if a company is prepared to come in. For instance, we saw the Saturn plant and all the scrambling that went around for that.

Mr. Gordon:: We do the same damned thing.

Mr. Wildman:: I recognize that, but if those steel companies that are in difficulty in the US do go down the tubes, what effect, if any, does that have on the Algoma situation?

5:50 p.m.

Mr. Gordon:: Two. The initial reaction, supposedly, is that it increases Algoma's marketing opportunity. I suggest it would be exactly the opposite. If LTD were to shut down a couple of major mills and put thousands of people out of their jobs in small towns just like Sault Ste. Marie, the reaction would not be to open the doors wide to Algoma's plate and structurals but to shut them down tight.

Mr. Wildman: That is right; because of protectionism.

Mr. Gordon: They have to keep the jobs. If those plants are allowed to shut down, somebody will buy them cheap and open them again. There will be cheaper overheads and cheaper labour. They will be able to make reasonable quality steel at a much lower cost. That is what has been happening in the US for two and a half years now. That is what has to happen in the Sault, as painful a process as it is. Otherwise, we will create a permanent cripple and a very expensive one. I cannot approve of that.

The Vice-Chairman: Mr. Gordon, I see my name is down on the list here, so I will ask you a question. In answering Mr. Pierce's first--

Mr. Stevenson: Does the committee agree to let the chairman ask a question?

The Vice-Chairman: Sure, I think so. In answer to Mr. Pierce, you mentioned high-speed drill bits from Sweden, and Mr. Pierce brought up Swedish--

Mr. Gordon: I talked about high-speed tool steel.

The Vice-Chairman: Yes, high-speed tool steel. We were talking about specialty steels there, which I suppose is a small niche. Could you elaborate on the size and the potential of the specialty steels market since this country does not seem, I do not believe--

Mr. Gordon: They do not make any significant quantities. The market is very small. That is about all I can tell you about it, simply because it is not a factor in the Canadian steel industry. None of the big three make that kind of steel. I am not very familiar with it.

The Vice-Chairman: How big a market in Canada is there?

Mr. Gordon: I have no idea.

Mr. Pierce: In reference to specialty steels, you are talking about steel for wareplate, corner bits on bulldozers, tractors, graders, etc.

Mr. Gordon: You are talking about everything from making tools used in factories to--as you said, a very wide variety of things; but the tonnages involved are minuscule compared to what is involved in carbon steel.

Mr. Pierce: The reference I was making is that every little bit of that thing we take out of the country is a thing that is lost.

Mr. Gordon: We can argue both sides of that, but let us assume that what you say is valid and that the thing for Algoma to do is to diversify into something such as that. Where is the money going to come from? What is it going to cost to modify Algoma's facilities to make 50,000 or 100,000 tons a year of specialty steels, which would probably be enough to glut the entire Canadian market? Where are the economies of scale?

Mr. Pierce: The message I hear coming from you is not to diversify the steel industry, but to diversify places such as Sault Ste. Marie so they are better suited to take those kinds of things.

Mr. Gordon: That too takes a lot of time.

Mr. Pierce: That is right.

Mr. Gordon: If it is going to be done by the government doing what it is doing with an auto plant in Quebec or in Cambridge, it is going to be very expensive. Even I could afford to put up an auto plant with the subsidies these guys are getting.

The Vice-Chairman: Mr. Gordon, let us expand on that. It is a fairly small market, but there is obviously the social cost that we have talked about and almost skirted around because I think we are probably afraid to talk about what that social cost could be to Sault Ste. Marie.

Mr. Gordon: You cannot quantify it. It is absolutely mind-boggling.

The Vice-Chairman: No, you cannot. If we were to diversify, because we have identified today that Algoma's main problem is market, it is creating--

Mr. Gordon: No, I disagree. Algoma's main problem is management. If management had not done what it did, there would not be a market problem.

The Vice-Chairman: As the decision is now made, they are producing a product for which there is no market.

Mr. Gordon: Right.

The Vice-Chairman: If it was the government's or somebody's wisdom to diversify--if that is possible, and I do not know whether it is technically--their operation into some specialty steel, obviously the market is not as big as the market they thought they were going to enter into with the products they produce. However, there would be other benefits besides even the social benefits to Sault Ste. Marie. We are also talking of import replacement.

Mr. Gordon: At what cost?

The Vice-Chairman: That is--

Mr. Gordon: If you are going to do something like that, and the argument for what you are talking about has been made in defence of what has been done at Sydney Steel, then I suggest to you what I suggested with respect to Sydney Steel a couple of years ago. All the workers at Algoma Steel today should be paid the same amount for the rest of their lives, plus inflation, but the cheques should be sent to them wherever in the world they want to go. If they want to have other jobs, they will still continue to get their cheques. It will be cheaper than keeping that damned mill going.

All we are accomplishing in Sysco is literally killing people. They are killing each other with the emissions from their own coke ovens and blast furnaces. They are killing their own children.

Mr. Wildman: It is not safe.

Mr. Gordon: It is not only unsafe, it is also proven by the provincial government to be totally unhealthy. If there is no alternative, put the people on vacation, but do not keep an uneconomic operation going. It is a sink-hole. There is no end to it and it will get worse.

Mr. Wildman: One of the arguments about Sysco has been that governments have spent tremendous amounts of money there.

Mr. Gordon: Hundreds of millions of dollars.

Mr. Wildman: If you were going to make that an economic operation, if that is possible, you would have to destroy the whole mill and build a new one.

Mr. Gordon: It cannot be done.

Mr. Wildman: Algoma is not in that situation.

Mr. Gordon: No.

Mr. Wildman: It has a modern facility.

Mr. Gordon: Algoma is three or four times, if not five or six times, bigger than Sydney Steel. You are not talking about a small mill with 1,000 or 1,500 employees; you are talking about a good-sized mill with 8,000 or 9,000 employees.

Mr. Wildman: One of the problems we have had because Sysco is operating and the government wants it to continue to operate is--

Mr. Gordon: It drags down Algoma's rail business.

Mr. Wildman: --for instance, instead of Algoma getting all the rail contracts it might have had, the federal government directs rail contracts to Sysco that could have gone to Algoma.

Mr. Gordon: That is right. It is Gresham's law.

Mr. Wildman: You argue that if the government were to enter into a similar situation of trying to keep Algoma going, it would have the same effect on Stelco and Dofasco. Is that correct?

Mr. Gordon: First Stelco goes, then Dofasco. It will take time, but they will go.

Mr. Wildman: You have put before us a very pessimistic view of the situation and of the future.

Mr. Gordon: Better that than pie in the sky.

Mr. Wildman: I am not criticizing you for saying what you think. There does not seem to be any light at the end of this tunnel.

Mr. Gordon: There is, but it is a freight train coming at you at 90 miles an hour.

Mr. Wildman: It is going to run over Sault Ste. Marie on Sysco steel rails.

Mr. Vice-Chairman: Mr. Gordon, we did not bring you here to stroke us and you are not. We like your pragmatic truth and we appreciate it.

Mr. Morin-Strom: I want one final recommendation from you. If you were a resident of Sault Ste. Marie and you were concerned about the future of that community in particular, not just one who wanted to flee the community under your scenario, what recommendation would you make?

Mr. Gordon: I can tell you what I did seven years ago when my then employer, the Royal Trust Co., told me I was going to move to Toronto but I did not have to worry about a wage increase because my rent was going down. I got another job in Toronto.

Mr. Pierce: Are you suggesting we should all buy shares in Allied Van Lines?

Mr. Gordon: I suggest that if people have to rely on their own resources, they will do so. If people are led to believe they are going to get a government handout and do not have to rely on their own resources, they will do that.

Mr. Morin-Strom: I am not suggesting we abandon the situation. What is the potential solution to make the steel plant viable?

Mr. Gordon: If you abandon the situation, you have the potential for the economy of that area to come back. Look what happened to the New England states. The shoe industry disappeared and went south. The clothing, apparel and textile industries did the same thing. The list of industries in New England which either died or moved out looking for cheaper labour is endless. For a long time, New England was dying. Today, you cannot find labour in New England. Labour rates went down and people moved out. The result was that industry, attracted by well-trained, educated, low-cost labour, began moving in. Today, one plant manager has been quoted as saying, "If it is toilet trained, we hire it." They are snort of labour in the New England states and it is high-tech industry. They are not making shoes or textiles; they are making computers. That is a painful process and it takes, not months or years, but decades, but it does work.

Mr. Wildman: Do you believe in the marketplace, Mr. Gordon?

Mr. Gordon: You give me a better solution and I'll pay you.

Mr. South: Why do you not come into the House and talk about it?

Mr. Gordon: Invite me.

Mr. Wildman: That is all very nice, but what is predicted in the next 10 to 15 years is a depression for the Sault Ste. Marie area.

Mr. Gordon: That is exactly what it comes down to. The real question a legislator has to cope with, if he can, is to figure out how to prevent it in the future. That is a truly profound problem in our society. I do not know what the answer is. The fact is that when a company makes the kinds of mistakes Algoma has made, it is the people who suffer.

6 p.m.

Mr. South: If you are big enough and robust enough, you average out.

Mr. Gordon: It is hard to do if you are 40 or 45 years old and you have been laid off from the Sault after 15 or 20 years.

Mr. South: I am talking about countries.

Mr. Gordon: As a country, that is what we have to do. As a city, that is what the Sault has to do. The individual people are going to pay for it, and not just financially.

Mr. McGuigan: I have a question. A German economist whose name I cannot pronounce--

Mr. Gordon: Probably Von Mises.

Mr. McGuigan: --has put a name on that freight train: "destructive creation."

Mr. Gordon: I believe he called it "structured destruction." By destroying itself, the economy eventually renews itself.

Mr. McGuigan: Right. Wipe out the debt and start over again. That is the problem we have in so many industries.

Mr. Gordon: It is not just the steel industry.

Mr. McGuigan: It is in so many things.

Mr. Gordon: I get very angry every time I pick up my paper and there is a headline, "Bombardier Sells 150 Subway Cars to New York City." Every time they do that, it costs me money. It is bad enough that I have to subsidize a subway car in Toronto or Montreal, but in New York City and Mexico City? No.

Mr. Wildman: Or a nuclear plant in Romania.

Mr. Gordon: Our Prime Minister is now trying to give the Chinese \$450 million so they can buy stuff from us. It is a very expensive proposition.

The Vice-Chairman: That gets into another political discussion.

Mr. Gordon: That is correct.

The Vice-Chairman: We probably do not have time for it today.

Mr. Gordon: If you do, I do not.

The Vice-Chairman: Mr. Gordon, on behalf of the committee, it has been tremendous. I feel what you have contributed to us today is a sincere--

Mr. Gordon: Perhaps I can send you a bill then.

The Vice-Chairman: With your understanding of the industry, you have enlightened all of us tremendously. It has been a marvellous contribution to our understanding of what is going on today and beyond to the next few years. I appreciate it very much and I am sure every committee member joins me in thanking you for your tremendous contribution today.

Mr. Gordon: I thank you for giving me the opportunity. Having sounded off in the press as often as I have, I felt this was no time to shut up and disappear into the woodwork.

The Vice-Chairman: We needed your help. Thank you very much.

Mr. Wildman: I have a question of procedure. It seems to me it will be very useful for members of the committee to have, prior to our meeting in the Sault with Algoma Steel executives, transcripts of the comments made today by the two gentlemen who appeared before us, and by the people we hear from in the next couple of meetings.

I understand, with the current schedule, Hansard does not even print Instant Hansard for this committee for about a week or 10 days. We should make representation to the House leaders to request that the Hansard schedule be changed. I am not talking about the finished, full-fledged Hansard, but surely we can get an Instant Hansard to committee members so that we have in our hands, prior to our meeting with the Algoma Steel executives, the comments made by the people who have appeared before us. People such as Jamie Melville would like to be able to have the opportunity to respond to some of the things Mr. Gordon said today.

The Vice-Chairman: Is there a consensus by committee members that it would be useful to have these documents in hand when you make these trips? If so, Mr. Wildman, would you move a motion?

Mr. Wildman moves the chairman approach the House leaders to request that the Hansard schedule be changed so that the committee can receive the uncorrected version of Hansard as soon as possible after each meeting.

Can we elaborate on that motion because of the emergency nature of the task of this committee?

Mr. Wildman: Yes. We really need this week's Hansard, in particular, prior to meeting next week with the representatives of the steel company, the labour unions and the communities that are involved in this situation.

The Vice-Chairman: In other words, we are looking at a rough Hansard.

Mr. Wildman: Yes. I am not talking about the finished Hansard. Frankly, I would like to see us getting it the next day. To be very honest, the Sault Ste. Marie Star would be very interested in being able to get the Hansard of today's proceedings. They do not have a bureau here. I am sure the people of Sault Ste. Marie would be interested in the comments of Mr. Gordon, pessimistic as they were. As soon as they can be printed, the better.

The Vice-Chairman: Is the committee in agreement with that?

Motion agreed to.

The Vice-Chairman: I take it the motion has the unanimous consent of the committee.

Mr. Pierce: I want to comment on that. How will the city of Sault Ste. Marie view those kinds of press releases in view of the fact that Algoma is still considering what its position is?

Mr. Wildman: I am not talking about a press release.

Mr. Pierce: You are talking about giving it out to the Sault Star; that it may be interested.

Mr. Wildman: No. I was not talking about giving it out to the Sault Star. I am sure the Sault Star will be phoning Hansard tonight. That is what they do when they know something is going on that affects the Sault. I am sure a reporter will phone Hansard tonight. They will be rather surprised when they find out this will not be printed for 10 days.

The Vice-Chairman: We are talking about two different issues.

Mr. Wildman: That is right. Let us face it, this is a public session and I am sure anyone who is interested, press or public, has a right to know what happened here.

Mr. Morin-Strom: Particularly the people of Sault Ste. Marie whose future depends on what happens to that mill. They will want the opportunity to see the comments of all of us. I know Jay Gordon is probably the most negative person who has been quoted on Algoma Steel, even in the local papers. However, I understand we will be hearing from several others on Wednesday and Thursday.

The Vice-Chairman: The main point is the reason--

Mr. Wildman: The main reason is that I want the transcripts myself. I am not concerned so much about the Sault Star. This is a public session. We are not trying to keep anything quiet.

Mr. Stevenson: It would be valuable in the formulation of questions when we get up there.

The Vice-Chairman: Yes. Is there any other business before the committee? If not, we will adjourn till 3:30 on Wednesday afternoon. It has been noted as following routine proceedings. Because we have people before us, we should try to make it 3:30. If we could leave the House then, that would be best for the committee.

The committee adjourned at 6:07 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

WEDNESDAY, MAY 14, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laugren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitution:

Wildman, B. (Algoma NDP) for Mr. Hayes

Also taking part:

Morin-Strom, K. (Sault Ste. Marie NDP)

Pouliot, G. (Lake Nipigon NDP)

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

Witnesses:

From Merrill Lynch Canada Inc.:

Liddy, G. C., Vice-President and Director

From Steep Rock Resources Inc.:

Lamb, L. J., Past President and Chief Executive Officer

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, May 14, 1986

The committee met at 4:04 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
(continued)

Mr. Chairman: The standing committee on resources development will come to order. We have on our agenda this afternoon further discussion of the Sault Ste. Marie problem and the announced layoffs there. The clerk is distributing a draft itinerary for next week to go to the Sault and Wawa. There is an extra copy of the schedule of flights.

If you want a flight other than the ones on the draft itinerary, would you let Todd Decker know so he can make different arrangements? Otherwise, reservations will be made for what is on the draft itinerary. If you want anything different, let him know or it will not be done.

Mr. Ramsay: I would like to bring up a point of procedure. Now that we have been given a mandate to look at the Sault Ste. Marie situation and we are discussing matters such as this under this ministry, I thought it might be useful if we also considered the situation in the Terrace Bay area with Kimberly-Clark.

As the members of the committee realize, we have a situation there where we have had a warning shot placed over the bow. We probably have a year to look at this situation. The chairman of Kimberly-Clark has said there have to be some drastic changes made in production or whatever, but has been indefinite about what is needed.

I would move a motion that this committee investigate the situation involving Kimberly-Clark in the Terrace Bay area to come up with some sort of solution so this industry can carry on in that part of the province.

Mr. Chairman: You have not actually moved a motion at this point. Is that correct?

Mr. Ramsay: I am prepared to move a motion.

Mr. Chairman: It would aid in the discussion if you would move a motion so we could have something to discuss.

Mr. Ramsay: I move that the committee not only apply to the Legislature for permission to consider this situation but also apply for approval to travel to the Nipigon area to examine this problem.

Mr. Chairman: We will put that down as a rough motion.

Mr. Ramsay moves that when we have completed a look at the Sault problem, we should take a look at the problem revolving around Kimberly-Clark in the Terrace Bay area north of Wawa and the Sault.

That is in the riding of Lake Nipigon, which is represented ably by the member for Lake Nipigon (Mr. Pouliot).

Do the members understand the motion that has been put by Mr. Ramsay? Is there any discussion on it?

Mr. South: What time is involved?

Mr. McGuigan: Are we talking about another day?

Mr. Chairman: I do not think we would be linking it to the two days next week. We are talking about after that is done. It would be a similar scenario because more than one town is involved, although I will let the members speak to that. My guess is that it would be another two-day trip, but it depends on what you want to do.

Mr. Pierce: When the committee was considering the Wawa-Sault Ste. Marie trip at the last afternoon session of this committee, I was a little hesitant in going along with that trip. As I stated--and I believe it is in the recorded Hansard--there is not a community left in northern Ontario that is not in trouble as a single-industry community. This committee could be on the road all the time. My comments at that time were Sault Ste. Marie and Wawa today, Terrace Bay tomorrow, Capreol the day after, and then how many other communities in northern Ontario?

I was reminded by the chairman that our committee was struck with the responsibility to take a look at the situation in Sault Ste. Marie and Wawa. I agreed that I would go along with that, given that it was to do that particular task. We are now back at the table where we have people before us to present comments on the Sault Ste. Marie-Wawa situation and we discussing whether we are going to entertain a request to go to another community that is having a problem. I feel there are no limits to the number of communities we could visit.

4:10 p.m.

In respect to the motion, depending on where the motion goes with this committee, I think we are at the threshold of calling for a select committee on single-industry communities in northern Ontario. I do not believe it is within the structured mandate of this committee to continue to visit every community in northern Ontario that is having a problem on a one-to-one basis. I will reserve any further comments until later.

Mr. Chairman: Members have been brief so far. I appreciate that, because Mr. Liddy is here to chat with us.

Mr. Morin-Strom: I assume that any discussion of the Terrace Bay situation would come after the examination of Algoma Steel in the Wawa-Sault Ste. Marie situation is done and the report of this committee has been completed. This is one task the committee is undertaking, and that is what is on the agenda today.

This proposal, as I understand it, is for a further examination of another drastic case of a single-industry community which could well be devastated if Kimberly-Clark shuts down its plant altogether in Terrace Bay. It is a situation of importance that this committee may examine appropriately given that we do not have a select committee to examine the single-industry towns situation at present.

On the other hand, I have some sympathy with Mr. Pierce's remarks that given what is going on in northern Ontario, undoubtedly there will be other

situations in the months to come. Considering the overall level of the resource-based economy up there, perhaps we should look at getting a special committee constituted as quickly as possible. If we figure the House may adjourn by late June, we may have more time to look at the situation in more detail if such a select committee were available.

Mr. McGuigan: I have the same concerns about the time. I am no less concerned than anyone else here about the gravity of the situation, and as willing to go. We are soon going to be in a time frame when there will be legislation introduced, and we have the heavy load that has to be covered before we recess for the summer. All of us will have difficulty getting away. I feel we just do not have the time to do the job.

Mr. Chairman: The rules say that in a quorum call the committee must adjourn. Is it asking too much to come to a decision now, or do you want to adjourn for three or four minutes and then come back and make a decision? It is up to the committee.

Mr. Taylor: Let us vote first. The bell may stop ringing by then.

Mr. Chairman: The local member wants to speak, and it would be a bit much if we did not allow him to have a word on this. Let us adjourn for three minutes until they have had the quorum call. Then we will come back immediately, if you would.

The committee recessed at 4:14 p.m.

4:17 p.m.

Mr. Chairman: The committee will come to order again. I would like to commend the members. That was one of the quickest votes ever recorded in the history of the Ontario Legislature. Mr. Pouliot is next on the list.

Mr. Pouliot: Merci, Monsieur le Président.

Mr. Chairman: De rien.

Mr. Pouliot: I am here as a last resort. Let me prelude by briefly mentioning that I appreciate this opportunity to speak on behalf of the people of Lake Nipigon who find themselves in the unfortunate situation of having to face the worst impasse or dilemma in their economic history.

I beg the committee's indulgence. I have the privilege of representing the riding of Lake Nipigon. It is not my intention to bore you. I will move along to summarize that we have 114,000 square miles and represent 28 to 29 per cent of the overall land mass in Ontario. Most of us went to the riding of Lake Nipigon to better our lot and to improve our future.

Ironically, about 10 days ago the president of Kimberly-Clark, Darwin Smith, flew in from the United States and made a startling announcement. He made a shocking and appalling statement that puts into jeopardy the jobs of about 2,000 people. I remind the committee that Kimberly-Clark is the largest employer in terms of the magnitude of employment in the riding of Lake Nipigon. The spinoff is the economic viability of the small towns of Geraldton, Schreiber, Terrace Bay, Rossport and Longlac. They exist by virtue of the fact that the major employer is Kimberly-Clark.

To summarize, there is simply nowhere else to go. The people of Lake

Nipigon are nervous. They feel the decision resting with the American corporation in this case is imminent and that it will have a devastating effect on the economic future of the north.

I need not remind the committee--and you have that jurisdiction--of the responsibility we all have. If I were to draw an analogy or a parallel of some validity, the magnitude is the same if not more for those small towns. We have 38 postal codes in the riding of Lake Nipigon. They are one-industry towns. The mechanism, the style, the method and the approach to look at the situation with some depth does not matter. Although time is of the essence, it is not of great urgency. Suffice it to mention that it could be done during the recess time we expect in mid-July or late July.

It is not my nature to catastrophize or to sound like an alarmist. I have searched long and hard for ways to avoid burdening the committee. It is not a very easy situation I place myself in. I wish other alternatives could be sought or there could be other mechanisms to approach. Having said this, I, for one, am not too concerned about whether there is a reluctance because you do not want to truck the committee around. Maybe that is not its purpose. That is not the way it does business.

However, whether you do it by this method or whether you have the personnel or find the personnel to strike a select committee, I feel very strongly that addressing the matter is an absolute necessity. We mean what we say. We owe it to the north. People have a right to enjoy the unique way of life the north provides them.

I got a note that says: "Please do not wrap up. Keep going." I will hide it. Having said this, let me conclude. One more time, I am very appreciative of your time. With all the sincerity at my command, I look forward very much to your scrutinizing the situation and coming up with some possible alternatives.

Mr. Chairman: Thank you Mr. Pouliot. We are trying to be brief and I appreciate your wrapping up your remarks because we have a witness to talk about the Sault Ste. Marie situation.

Mr. Wildman: In support of the request of my colleague, I think it is important for the members of the committee not lucky enough to represent northern Ontario to realize that when an announcement like the one made in Georgia is made regarding the operation of a plant in a little place like Terrace Bay, we have a situation where a whole town will close up. The people cannot commute to other jobs. If the mill were sold, there is a possibility it would operate. But we run into the danger that the buyer might simply be interested in the limits. You have the bush operations operating, but you will not have a viable town.

It is imperative that as legislators we look into this situation. It is important for us to do so in order to raise the profile here in the Legislature of what is happening to the economy in northern Ontario one-industry towns. That way we can encourage the government and support the Minister for Northern Development and Mines (Mr. Fontaine) in his efforts to get funding from the Treasurer (Mr. Nixon), and from the cabinet, to respond to the needs of the northern Ontario communities that are being threatened.

We have had announcements such as the Kimberly-Clark announcement in April of 4,000 jobs lost or threatened in one month in an area of the province that has double the unemployment rate of the provincial average already. I

plead with the committee to decide respond to this need and to look into it.

Personally, I would prefer a select committee. Let us be frank with one another. It is not likely that a select committee will be struck. If it is not, then this committee should do it. I plead with the committee to respond to the request of my colleague. I appreciate that the committee has decided to go forward with the consideration of the possible devastating ramifications of the announcement of Algoma Steel Corp. for Sault St. Marie and Wawa. We owe as much to the people of Terrace Bay.

Mr. Chairman: I have two more people wanting to speak. Can we wrap it up? We are not cutting anybody off.

Mr. Stevenson: Mr. Chairman, I remember in our discussions of the steering committee on this trip that you, Mr. Pierce and Mr. Bernier and maybe others mentioned that this committee could travel to virtually every riding in the north and find one-industry towns in varying degrees of hardship. I recall Mr. Bernier made a specific plea that this committee be allowed on other occasions to travel to those towns in need to deal with similar situations in Sault Ste. Marie and Wawa now.

I go back. As steering committees can, we agreed at that time to take future trips into the north. Under time pressures now, I suggest we look at Terrace Bay and perhaps other places on future trips. Whether they are later dates for this committee or a select committee does not concern me a great deal. I suggest we do it at some later date and undoubtedly by that time, if the trends continue, there will be other locations that will need to be visited.

As far as Mr. Wildman's comments about assisting the minister in getting funding for the north, I agree wholeheartedly. Obviously he is not having much success dealing with The Treasurer. If we can make future trips and assist in that way, then I would agree. But right now, I do not see how we can take the time on this particular trip to visit Terrace Bay.

Mr. Wildman: It was not suggested that we extend this particular trip.

Mr. Chairman: I think it was meant that when this trip is over, the next item of business of the committee will be to do the--

Mr. Stevenson: I would think the next time that we get a couple of places that are in a serious situation that we look seriously at taking another trip.

Mr. Chairman: But that is what this motion is.

Mr. Stevenson: I misunderstood.

Mr. Chairman: Would you mind reading the motion again so Mr. Stevenson will understand?

Clerk of the Committee: Mr. Ramsay has moved that this committee investigate the situation at Kimberly-Clark in Terrace Bay and that the committee travel to the Nipigon area to conduct public hearings.

Mr. Stevenson: In response to that I would say let us wait until we have a situation where there are some locations not too great a distance from

each other and set up a trip like this. Let us wait until the time develops so that we can take advantage of an opportunity that we have in front of us.

Mr. Pierce: Just one further comment: I think it is a little presumptuous to say there is not a chance of getting a select committee set up to study the single-industry communities. I believe that if this committee, which is an all party committee, requests and recommends that a select committee be set up, and looks favourably on that request, it may get the attention it deserves from the government. I do not think it is for us to say whether they would or whether they would not accept the recommendation for a select committee. Certainly, Mr. Bernier, who is not here today, has requested on two different occasions that a select committee be established to study the plight and the problems as they relate individually and collectively to the single-industry community. In response to Mr. Pouliot's remarks about my comment about trucking the committee, there are much easier ways to get around the north than by truck, as we are all aware, and I am sure that we would use other modes of transportation. So I just do not want to be --

Mr. Wildman: It is just translation, that is all.

Mr. Pouliot: Not even that; it is in the wrong context.

Mr. McGuigan: Just before the motion of the member for Rainy River, I have an amendment.

Mr. Chairman: Yes, it would be in order.

Mr. McGuigan: I would amend the time frame so it would be between now and recess, if possible, and if not possible, as a first item following recess.

Mr. Chairman: Do you regard that as a friendly amendment, Mr. Ramsay?

Mr. Ramsay: Yes.

Mr. Chairman: You have heard the amendment. It is a difficult amendment, even if it is in order, because it does not answer the question of what we do after we have been to Sault Ste. Marie and Wawa. It does not answer the question of whether or not--

Mr. Wildman: On that matter, if the amended motion were to pass then it would be incumbent upon the committee, after we return from travelling to Sault Ste. Marie and conclude our discussions on that report, to then decide its timetable.

Mr. Chairman: I would remind you that the committee should deal with that before too long, either way, because you need a couple of weeks lead time if the decision is to go. We have seen how it happened with Sault Ste. Marie.

Mr. Stevenson: If we ask for a select committee to be set up to study this during recess, how long would we have to wait to get word on whether that was accepted by the House leaders or whoever? Could we get word back within a week or two, or would we have to go until June or July to get a word?

Mr. Chairman: We have never been able, and I am not pointing to any one of the parties here, to get a response on what committees are going to be sitting and when until the very end. That is part of the problem. We can try; there is nothing wrong with trying.

Mr. Stevenson: In many ways I think that would be the preferred route, if we could do that and get a "yes" or "no" on that first and then decide after that. If we get a "yes," there is no problem; if we get a "no," then we decide how we tackle the situation.

Mr. Chairman: I would suggest that once we have been to the Sault and have done a mini-report on that--I am not talking about a big report--that could be one of the recommendations of this committee.

4:30 p.m.

Mr. Ramsay: Mr. Chairman, since we are in agreement here, I would propose that we accept this friendly amendment and consider two things today. This amended motion of mine gives us flexibility of time when we do this, but at the same time we could apply for a select committee to be formed. If my motion today is passed it might give more clout, because it would show both the determination of this committee and that we are serious about this. We say we want to go and would like to go. We would prefer this other mechanism but if we do not get it, then we pass this motion and will be able to do it in the standing committee on resources development between now and the recess. If we cannot get that permission for the select committee--and it will be up to us if the select committee then is given approval--then, okay, we will use that mechanism to carry out the work.

Mr. Chairman: Okay, let us wind this down. Do you have a problem with that, Mr. Pierce?

Mr. Pierce: I have an amendment to the amendment.

Mr. Chairman: Which would be?

Mr. Pierce: My amendment to the amendment is that in the interim period, a request for a select committee go from this committee to the House.

Mr. Ramsay: Sure.

Mr. Pierce: Then I have no problem with the amendment.

Mr. Chairman: You have heard the motion as amended and amended again. Is the committee ready for the question? All those in favour of Mr. Ramsay's motion, as amended and amended?

Mr. Pierce: On a point of procedure, Mr. Chairman: I believe you have to vote on the amendment to the amendment to the motion.

Mr. Chairman: Right, but the amendment to the amendment includes the whole motion. It is an amendment to the original motion.

Those in favour of Mr. Pierce's amendment to the amendment? Those opposed?

Motion agreed to.

Mr. Chairman: Let us deal with Mr. McGuigan's amendment to Mr. Ramsay's motion. All those in favour? Opposed?

Motion agreed to.

Mr. Chairman: Now, let us deal with the entire motion as amended and amended again. All those in favour? Opposed?

Motion, as amended, agreed to.

Mr. Chairman: Thank you, Mr. Pouliot, for your contribution. We had best move on. We have with us this afternoon Mr. Greg Liddy, vice-president and director of Merrill Lynch. Mr. Liddy, if would you take a seat here where the glasses are.

We apologize for the delay, but we had to deal with this matter. We welcome you to the committee.

Could I just ask a question to get things going? Did you see the reduction in the work force of Algoma Steel at Sault Ste. Marie coming?

GREG LIDDY

Mr. Liddy: I would say that no one could have seen it coming without the quality of being able to foresee what has happened to the price of oil, declining as it has. The sharp decline in the price of oil acted in some ways as a catalyst and in other ways as the straw that broke the camel's back. Algoma has a major commitment to the seamless tube market which services the oil industry. There is a strong relationship between the price of oil, the level of drilling activity and perforce the level of demand for seamless tubes.

Algoma probably would not have been forced into this situation to the degree that it has been, had it not been for this exogenous development.

Mr. Morin-Strom: You focus on the oil industry problems as a major contributing factor in Algoma's decision to downsize and lay off 1,500 people. If the oil problem is the main focus, then why is the company focusing on phasing out ingot production? This has nothing to do with the oil product; none of the ingot product goes into seamless tubes--rather than focusing on reducing its operations in the tube business.

Mr. Liddy: I think there are some problems with your question. First, you make a seamless tube out of steel, and you have to make the steel first before you can make the seamless tube. If your demand for seamless tubes goes down, it works its way upstream into the steelmaking operation.

Mr. Morin-Strom: Right, but still the corporation's decision was to shut down the ingot production route, which is used primarily or almost completely for structural and sheet and strip.

Mr. Liddy: The company has to reduce the total volume of steel it is producing because the demand for the finished product has declined. The Algoma Steel Corp. is continuously casting steel as well as ingot teeming steel. Those are two different methods by which you make the first conversion of raw steel.

Casting is a less expensive process than ingot teeming. The shutdown of the raw steelmaking capacity being processed by the ingot teeming method is an action by the company to curtail the overall volume of steel produced and to curtail that volume with the kind of steel that is most expensive to produce. They are therefore shutting down what is a relatively high-cost aspect of their operation.

Mr. Morin-Strom: Are you convinced that it will be of net benefit to the corporation, given the reduction in sales capability that would result? In other words, not only would costs go down but also sales revenues as well.

Mr. Liddy: You are running a race between your costs and your sales. If your costs of production are outstripping your sales, you are losing money. Algoma is in that situation. The response you can make is either to hope that the demand for the product will pick up sufficiently to get your revenues moving or, alternatively, to get yourself out of the red ink by curtailing your costs.

Your costs are to some extent manageable; your markets are not. You pose the question, "Am I convinced that this is going to make Algoma a wonderfully productive and profitable operation?" The answer is that we do not know. What we do know is that if things continue going the way they are, you are drilling more and more holes in the ship.

Mr. Morin-Strom: What are your short-term and long-term prospects for the corporation?

Mr. Liddy: My best guess is that the steel demand cycle, if we might liken it to the face of a clock, is probably at two o'clock right now. We have passed the top of this cycle and we are on the way down from here. In those circumstances, a steel company has to gear up for the worst and hope for the best.

If you had asked me six months ago, I probably would have had the view that we would be in a period of relatively level demand over the next year or two. However, with the developments on the oil side and with oil country goods taking up perhaps 15 per cent of aggregate steel demand--and if you are watching any of the numbers that have to do with the oil side, drilling is down by 50 per cent, and it takes seven per cent out of demand--the mathematics of that implies--

Mr. Morin-Strom: You know that Algoma has shut down its tube mill altogether.

Mr. Liddy: Yes.

Mr. Morin-Strom: They are operating at zero per cent.

Mr. Liddy: It has two mills. One of them has been operating, which is the old Mannesmann mill.

Mr. Morin-Strom: One has been shut down. It is at zero per cent right now.

4:40 p.m.

Mr. Liddy: Right, because it is probably selling out of inventory.

The demand has just been decimated. The Globe and Mail has told us that United States Steel, the biggest supplier of drill bits, says drilling activity is at the lowest level since 1943. This is 1986, the last time I checked, so we are running at 1943 drilling levels.

The inventory pipeline is full, so Algoma has shut down number one and is in the process of building number two. It is in the advanced stages of

finalizing that mill. That mill will produce seamless tubes at a lower cost than the old one did, assuming it gets a high enough level of demand to take advantage of economies of scale.

To return to your original question of what I see in the next year and a half or two years, tough sledding is the answer.

Mr. Morin-Strom: What about in the long-term?

Mr. Liddy: We are all dead.

Mr. Morin-Strom: Will the corporation survive? Can the corporation manage its debt load? I assume you advise clients on stock selection. For the investors you talk to, is your advice to get out of Algoma Steel?

Mr. Liddy: I think Algoma Steel will be a survivor, but its ability to survive will be a function of taking palliative and restorative action. The problems at Algoma are product mix problems most particularly. The problem is that the structural steel, plate and seamless tube markets in which Algoma does the vast bulk of its business are on their backs. Will they come back? I think there are few things that are more recurring than cycles. They will come back, but not for some time. In the meantime, Algoma has to take preventive action from liquidating itself, if losses continue at the current rate. It is in a self-liquidating mode right now from a financial point of view.

Mr. Morin-Strom: The equity is going to disappear.

Mr. Liddy: It is heading in that direction. Bear in mind, in 1984, the company halved its 1983 loss. In 1985, it halved its 1984 loss. The 1985 loss was one quarter of the 1983 loss. A relapse has occurred in response to developments in the oil company tubular goods market.

The company stands to lose between \$3 and \$4 a share this year. It has 14 million shares out. If you have your calculator, it will lose a lot of money this year. The trend had been improving; that is to say, losing less. Now we are moving in the opposite direction again. Some action has to be taken. The alternative is, if you do not lay off X people, everybody else's jobs become increasingly jeopardized. It is no fun making these decisions.

Mr. Wildman: It is no fun for the workers either.

Mr. Liddy: For sure.

Mr. McGuigan: As a supplementary, since the time they specialized in seamless tubes, was there any period when it made a profit?

Mr. Liddy: Yes, in 1979 and 1980 it made very high levels of profit. In 1981 it made a lot of money because Stelco was on strike. There was a shift in market share. Dofasco went out and Algoma made more than it would have otherwise.

However, the real heyday was in 1979 and 1980. Did it make a lot of money? It sure did. It is a curious thing with the Mannesmann mill, the first one. Everyone has heard about the lemon of a car. The Mannesmann mill was a rose of a mill. For some reason, it made probably the best seamless tubes in the world. It made the premium product in the market and it did very well at the time.

Mr. McGuigan: They saw the signal of demand and reinvested.

Mr. Liddy: Yes, to a certain extent. You can never second-guess history, but in the North American steel industry about the only kinds of mills that have been built in the past 15 years have been seamless tube mills. So Algoma was not alone in building a new seamless tube mill. United States Steel Corp., CF&I, which is Colorado Foundry and Iron, Armco Steel Corp., just to name a few, all did. Virtually all the incremental rolling capacity in North America, with the exception of the two flat-roll mills that Stelco and Dofasco have built, have all been seamless tubes. So they have generated a significant increase in the volume of North American produced seamless tubes.

The steel mills thought they had a great opportunity because back in 1979-1980 roughly 40 per cent of all the seamless tubes used in the US were imported. So they were looking at displacing imports with domestic production. Everyone put their IBM Personal Computers together and they all saw dollars there and they all put the money in. Unfortunately, it has not all worked out the way the IBM PCs said it would.

Mr. Morin-Strom: As a point of information, Mr. McGuigan asked about when they made money. In 1980 the company made \$109 million; in 1979 it was a \$112 million; 1981 was actually the record year: \$165 million; and then they fell to a loss of \$40 million in 1982, a loss of \$127 million in 1983, back to a loss of \$46 million in 1984 and then a loss of \$3 million last year.

Mr. Chairman: Is that strictly the Sault Ste. Marie operation?

Mr. Morin-Strom: All the steel sold by Algoma Steel comes from Sault Ste. Marie. They have some small sales of coal from the Hamilton operation but basically it would be insignificant.

Mr. Wildman: Their raw materials come from Ontario but the Sault Ste. Marie operation is what produces sales.

Mr. Morin-Strom: Sales revenue is almost 90 per cent of it.

Mr. Chairman: Anything else, Mr. Morin-Strom?

Mr. Morin-Strom: Could you give us Algoma's competitive position relative to Stelco and Dofasco? In your opinion, why has their performance not been nearly as good as the other two companies? What is the fundamental problem at Algoma Steel relative to the other two big steel companies?

Mr. Liddy: I mentioned earlier that Algoma's product mix is its problem because of the high volatility of demand for those products. If you took a profile of aggregate steel demand, you would find it has a cyclical bias. If you looked among the individual product lines, you would find that if overall steel demand goes like this, demand for seamless tubes goes like this, demand for plate goes like this, and demand for structurals goes like this.

Mr. Wildman: So they are far more vulnerable to the cyclical elements of the market than the others?

Mr. Liddy: That is right. Their problem is particularly product mix; a lack of continuity of demand breeds a lack of continuity of cash flow which breeds great difficulties in effectively planning for stability in the future.

Mr. Morin-Strom: So should they invest in more stable market segments at this point, or is it too late?

Mr. Wildman: Do they owe too much money?

Mr. Liddy: The problem is they operate in a rough, tough business called making and selling steel. Everyone in that business is jockeying for a position in the market which presents the best potential growth. The fact is the demand for flat-rolled steel, which is the bulk of what Dofasco and Stelco make, is less volatile. Those two companies just built two new rolling mills; Dofasco in Hamilton and Stelco at Nanticoke. They just built two new sets of capacity and before Algoma could go and build another one they would have to assume the other two were fully loaded. The point is, if two people fill up a potential vacuum, you are left out.

Mr. Morin-Strom: So they had no choice. They had to go to seamless or something like that.

4:50 p.m

Mr. Liddy: By one corporation's actions to capture market they had to decide, "Do we parlay our bets?" and they bet to parlay their bets on the seamless tube market.

Mr. Wildman: Mr. Liddy, I appreciate your taking the time to come before the committee. We had Jay Gordon, one of your colleagues--or perhaps I should say a competitor--before us on Tuesday.

Mr. Liddy: Yes, I know him well.

Mr. Wildman: He certainly made himself known to this committee. He had some very interesting things to say about the history of this problem at Algoma Steel. I pointed out a number of quotes from him that I had seen in the press, and I propose to do the same with you since I have seen a number of your quotes in the press and would like you to explain them, if you could.

You did say we are past the top of the steel cycle and on the way down; you are predicting it will eventually go back up too, I suppose?

Mr. Liddy: In the absence of being able to prove the future, I would go on the past pattern.

Mr. Wildman: A question arises in my mind as to why Algoma Steel has just gone through the top of the cycle and is losing money. You would expect it would lose money at the bottom of the cycle.

Mr. Liddy: Yes.

Mr. Wildman: If it has just gone through the top of the cycle and is losing money, where the hell is it going to be at the bottom of the cycle?

Mr. Liddy: It could be out of sight.

Mr. Wildman: The other thing you said is that you cannot second-guess history, so I want to deal a little bit with history and raise some comments you have made in the past that I would like you to comment on here. This is from the Sault Star of April 14, 1986. You indicated, as you said here just now:

"The company's production is geared towards the 'extreme end' of the capital goods sector, such as structural shapes. In any capital spending

cycle, you tend to get equipment purchases accelerating before plant expenditures accelerate."

Can you explain what that means?

Mr. Liddy: Capital spending represents moneys that are expended by corporations in order to expand output. The cycle has two aspects to it. If you look at Statistics Canada data, you will see plant expenditures and equipment expenditures under national accounts.

The pattern runs somewhat like this. At the terminal upward phase of one cycle, everyone is building a new factory or a new plant. For the sake of simplicity, let us say you build a machine shop. When you build that machine shop, you usually build in extra floor space. You build a larger building than you need immediately and you purchase the equipment that goes into it.

When the next cycle of demand is strong and when your initial purchases will be for equipment to fill up your available space, if you still feel comfortable that you want to make a quantum increase, only then will you go to the plant side. Equipment purchases provide opportunities for incremental capacity expansion, whereas plant expenditures tend to generate quantum increases. In the post-war era, your capital spending cycles tend to have these two mini-cycles which are subsumed within the other. First you get the push of equipment and then you get the push from plant. When you hit the plant, then you are usually at 12 o'clock on the dial.

Mr. Wildman: In this article I am looking at, you say, "The final stage of the steel cycle, which peaks about every three years, will see sales of structural shapes increase." We are at two o'clock on the cycle; are you saying it will take a little less than three years to get back to 12 midnight?

Mr. Liddy: You start getting an upswing. The cycle from peak to trough tends to be between three and four years. I am not trying to be devious. I just want to get at the point you are trying to make so I can add something to it.

Mr. Wildman: You are talking about somewhere in the neighbourhood of a three-year to five-year cycle from peak to peak?

Mr. Liddy: From peak to peak, I would say three to four years.

Mr. Wildman: Then you point out in this article, as Mr. Gordon did very emphatically last Tuesday, that, be that as it may, if the auto sector weakens, the whole steel industry is in trouble and that is going to hurt Algoma Steel. Can you explain that? Their product mix is not too related to auto, is it?

Mr. Liddy: That is right. The auto sector is a very integral part of the demand for steel in the aggregate. If there is a sharp cyclical decline in the auto sector, then it influences the tone of the overall steel market. Then reluctance occurs. We have some Far East nations talking about building automobile plants. I will bet you dollars to doughnuts that between now and December, if the auto sector were to fall out of bed, that breaking ground on the expenditure side would be delayed. What it does is generate a reluctance to go ahead with capital spending, which is essentially a bet on the long run.

In circumstances where the auto sector might weaken beyond the propaganda that we all hear, the fundamentals of the auto sector are very long

in the tooth right now. I think anyone who is betting on better years this year and next year has made a bad bet. The tone of the overall steel market is undermined should a major market such as the auto sector experience any sharp decline.

Mr. Wildman: On Tuesday, Mr. Gordon said to us that inventories, particularly with GM, are very high. He predicted a major downswing in the auto industry in one and a half to two years. Do you concur with that view, and how does that relate to steel? He also said when they start to come back there are going to be more and more plastics so that when the auto sector comes back, it does not necessarily mean that steel will.

Mr. Liddy: There are wheels within wheels. Is the auto sector at the advanced mature end of the cycle? My analysis would say yes. I look at the auto sector, because you cannot study the steel industry unless you look at its downstream markets. The cycle is heading down. The rate of decline is a question. We do not know. In Canada, the Canadian auto makers are in a better position--

Mr. Wildman: Because of the dollar?

Mr. Liddy: That is one element but product mix is a more important element. The Canadian auto sector is probably better suited, vis-à-vis market demand, than is the US in the aggregate. That has to do with two elements. One, the mix of trucks to total production is a lot higher in Canada than it is in the US. In the US, 15 per cent of total vehicles may be trucks. In Canada, it is about 35 per cent. The demand cycle for trucks is somewhat counter-cyclical to the demand cycle for passenger cars. If passenger cars are going down, trucks will probably go up. The point is a sustaining cyclical influence on trucks.

The other element is the size of passenger cars. We tend to make larger cars in Canada, on average, than they do in the US. As a consequence, since it is large cars which are moving and not the small cars, they are going to make what can be sold. That is a positive for the Canadian output. The other element is that if you were sitting in Detroit and you had the option of producing a car with Canadian steel costs and Canadian labour costs, or making it in Detroit, and in your heart of hearts you are banking on this being a softer year than last year, you go to your low-cost production units. For us this is good; it is Canada.

I think we are on the way down cyclically. The rate of decline in Canada will be less than the rate of decline in the US. What that absolute rate is going to be is a matter of guessing but we are certainly looking at negative numbers.

Mr. Wildman: I would like to look at the history of this situation.

Mr. Liddy: Are you speaking of the history of the Algoma situation?

5 p.m.

Mr. Wildman: Yes. Mr. Gordon was very emphatic in being critical of the management of Algoma Steel. I will quote him, "They have screwed themselves starting in with the seamless tube mill." He went on to say that they put themselves deliberately in the most cyclical product lines, tubes and other product lines, such as new quench and temper lines in the plate mill. He was emphatic. He basically said to the committee that over the past five to

six years, Algoma Steel's management has made a lot of mistakes for which the workers and the community are going to pay in the next 10 to 15 years.

Mr. Liddy, I notice in your comments, in the press I have seen of you, you are forthright. You do not tend to be quite as emphatic as Mr. Gordon might be, or perhaps pessimistic. Mr. Gordon certainly was pessimistic.

Do you agree one of the major problems we have at Algoma Steel is bad management? If you do not want to answer that, that is fine.

Mr. Liddy: No. I never run from a question. I do not think the calibre of management at Algoma is at a standard equal to that of the other major Canadian steelmakers.

Mr. Wildman: What specific decisions did Algoma management make at the time--I am not talking in retrospect--which might have been considered ill-conceived?

Mr. Liddy: I guess you are asking if I had been calling the shots how would I have done it differently?

Mr. Wildman: Yes.

Mr. Liddy: I would not have gone with the number 2 mill. I would not have done it.

Mr. Wildman: Even though they were making large sales and their profits were high due to the high quality of tube they were producing?

Mr. Liddy: Yes. I would not have pursued that market. You do not make money in a crowd, and everyone was building seamless tube mills. If--

Mr. Wildman: US Steel and so on.

Mr. Liddy: That is right.

Mr. Morin-Strom: On a point of clarification: Was Algoma not the first North American company to announce the seamless tube mill, and is it not true that Armco, CF&I and US Steel all followed within about six months of Algoma's announcement?

Mr. Liddy: A modified yes. When you read something publicly, if you are depending on the newspaper for industry information, you are going to be playing last night's poker hand.

Mr. Wildman: That is what I am doing.

Mr. Liddy: It is my assessment that when Algoma made the announcement, their intention was to draw a lot of attention to their announced intentions to build that seamless tube mill, to knock other people off the fence, to persuade them not to build in competition and in effect to put everyone else in the same position they were, vis-à-vis Stelco and Dofasco with respect to hot strip mill. They wanted to discourage competing incremental capacity.

As the world unfolded, Armco Steel, which had made a lot of noise or discussion, whatever you class it as, had intended to build a mill substantially larger than Algoma did. They made the decision not to go ahead

based upon obviously an alternative forecast and set of assumptions than Algoma.

A number of mills went ahead and played guts, and at least the preliminary verdict is that those folks who decided not to play are glad they did not, and those who decided to play wish they had not.

Mr. Wildman: I understand another thing Algoma Steel attempted to do to improve their situation was to cut price on other products.

Mr. Liddy: Yes.

Mr. Wildman: You are quoted as saying, "I do not think it was prudent to cut the price of hot rolled when it was cut." Why not?

Mr. Liddy: If my memory serves me correctly, the market became aware of Algoma's pricing move on hot rolled, which is essentially a \$25-a-ton or five per cent price concession, in November. US Steel and other US steelmakers announced a price increase effective January 1. My assessment is why do you discount price in the face of someone else raising the prices?

Mr. Wildman: Even if you stayed put, you would still be better off than the others.

Mr. Liddy: Yes. I am simply saying I did not think it was prudent. If everyone is trying to get more per widget and the guy down the street is going to raise his price for widgets to a new and higher level, why should I discount mine to a lower level?

Algoma's pricing move was counter to the pricing moves by the competition. That did not make a lot of sense to me, so I called it imprudent.

Mr. Wildman: You are again quoted as saying you think the measures announced in Algoma Steel's plan for action were positive.

Mr. Liddy: Could I have that again, please?

Mr. Wildman: The quote is: "I think the measures need to be taken. I think a decisive action is necessary." Then you went on to say that you did not want to be specific.

Mr. Liddy: That is different from saying something was positive. As you were the first one to point out, anybody getting laid off is not positive.

Mr. Wildman: I understand that. I just meant in terms of the market situation; I did not mean in terms of what it means to Sault Ste. Marie.

Mr. Liddy: A lot of us are fortunate enough to not face the problems the workers do. We have to be very careful about making statements that layoffs are positive. They are not positive, they are just sometimes better choices but there are no good choices to make. Perhaps you could repeat your question.

Mr. Wildman: I wanted to look at some of the things it suggested. For instance, it is cutting the raw steelmaking capacity to 2.5 million tons from the current capacity--although it is not working at capacity--of 3.5 million tons. Basically it is talking about surviving as a smaller company. It is also looking at restructuring--"restructuring" is a nice word--its raw material sources in operation.

Could you comment on those two aspects of its plan for action? Do you think it is appropriate in terms of trying to have the company survive?

Mr. Liddy: The problem is that problems have puppies. A big problem breeds more puppies. Very often the product is either our good luck or good fortune or we are the victim of it.

Algoma has a problem. It is a very serious problem now. Because it has an integrated structure into the raw material side, one action in one sector of the company's operations most often generates some changes in other sectors. In this case, if you are going to contract the volume of your output of raw steel, then you have to make proportionate changes in your upstream operations.

If it does not do this, if it does not down-size, then in my opinion it will be uncompetitive with the alternative source of supply. It is not a good solution, and we can hold a wake over the actions which have not proven to be timely in retrospect.

In the fullness of time, the seamless tube mill may be a terrific thing. Jay Gordon and I shared a view on the seamless tube mill when it was first announced. We were a minority at the time. I hope I am wrong. In time, we might need 3.5 million tons out of Algoma. At this point, we do not. We need maybe 2.5 million.

Mr. Wildman: You were quoted in the Financial Post on April 26, as saying that Algoma's present position is recuperative but convalescence will take a while. How long is a while?

Mr. Liddy: What was the date?

Mr. Wildman: It was April 26 in the Financial Post.

5:10 p.m.

Mr. Liddy: It was recuperative until the seamless tube thing. Until the oil country tubular goods market tanked out, I thought Algoma might be marginally profitable this year, but Algoma varies from year to year. Half of their profits may be generated by 15 per cent of their sales. With the evidence of what has happened in the seamless tube market, I could not continue to think they would be marginally profitable. It is arguing with the information.

Mr. Wildman: I have two other short matters I would like to raise with you, and then I will yield the floor. Mr. Gordon has said he thinks the measures announced by Algoma Steel Corp. could have a positive impact on the company's stock. You have been quoted in the Sault Ste. Marie Star of April 17 as saying you believe the effect on Algoma's shares will be fairly neutral. Why is that?

Mr. Liddy: This is tricky. You get two analysts together and you have three opinions. So Jay said he thought it would be positive for the stock and I said I thought it would be neutral for the stock. What has happened to the stock in the meantime? I think it is off a snick. It is not up.

Mr. Morin-Strom: It is down two or three dollars.

Mr. Liddy: Maybe I made a good call on this one and Jay was a little wide of the mark.

Mr. Wildman: You are saying that, despite what Algoma is doing to try and survive, it is still not an attractive investment. Let us put it that way.

Mr. Liddy: I have been at this for 12 years. When it comes to the way stocks react to news of change, you like to be optimistic, but the occurrence of these kinds of changes is symptomatic of a very serious problem. I do not believe in increasing an investment in a problem.

Mr. Wildman: Okay. The final thing I want to raise is that Mr. Gordon was very straightforward in saying he thinks Algoma Steel will survive as a ward of the government.

Mr. Taylor: That should make you happy.

Mr. Wildman: Only Conservatives want to invest government money in ailing companies as is being done by both Liberals and Conservatives in Sidney Steel. He referred to Sidney Steel as a possible example of what Algoma Steel is going to be. He said he did not like his money going into what he called a "sinkhole". At one point before the committee, he suggested it would be a lot better if the government were to calculate the hundreds of millions of dollars they might invest in Algoma Steel and divide it up among all the workers and pay them to take a vacation for the rest of their lives, which is quite extreme.

Mr. Liddy: You have to pay wages for that.

Mr. Wildman: You stated in the article that Algoma Steel is going to be more than a survivor. We are not talking about walking wounded here. There are many companies in the United States that are in worse situations than Algoma. Algoma has the benefit of some pretty good facilities.

I am not asking you to comment in any way--you can if you wish--on Mr. Gordon's views as I have related them. Why do you think Algoma Steel will survive and that it is not walking wounded and that it is in better shape than a lot of US companies?

Mr. Liddy: If you like, I can spout off a lot of numbers on the relative financial position of Algoma versus a half a dozen US steelmakers that are hopelessly high-cost producers. Unless demand is so strong that prices go up that put them in the money, they are casualties. Algoma has an asset called 35 per cent interest in AMCA International.

Mr. Wildman: Which is not making any money right now.

Mr. Morin-Strom: It is not paying any dividends.

Mr. Liddy: My point is this. If I were a betting man, which I tend to be, I would bet that Algoma will sell its AMCA interest.

Mr. Wildman: Even if that means Canadian Pacific no longer controls it?

Mr. Liddy: Yes.

Mr. Wildman: Who are they going to sell it to--Canadian Pacific?

Mr. Liddy: It is a matter of considerable deliberation among the

people involved in what happens with Algoma and its intercorporate impacts. Suffice it to say, my bet would be that Algoma will dispose of that 35 per cent interest in AMCA, which would throw up about \$200 million in cash, which can put a lot of wax on the candle.

Mr. Morin-Strom: Would you advise the corporation that reducing the debt load today would be a good course of action?

Mr. Liddy: Yes, and I did so two years ago.

Mr. D. W. Smith: A while ago we may have touched on the question I am going to ask, but I missed Mr. Gordon's comments at the last meeting.

There has been a general trend over a number of years that the plastic industry is taking over from the steel industry in a lot of ways. Maybe Mr. Gordon was right when he said that Algoma will not recover--I do not know to what size.

To me, there is a general trend out there when you look at everything that is being sold. My goodness, I noticed not long ago that they even make shovels out of plastic now. I realize that is only a small thing, but there is a general trend developing that we are going to have huge layoffs in some of our old, stable industries--industries we thought were stable, anyway. In order to compete, maybe the people that are hired back in four or five years are going to come in at a different level.

Is the industry really in a churning process? Maybe that is what I am really asking.

Mr. Liddy: That is a very good question. Plastic shovels are no good. I know. I have had one.

Mr. D. W. Smith: I have seen them.

Mr. Liddy: I know what you are saying.

The intensity of demand for steel has been declining as compared to North American economic activity. For every unit of real gross national product, less steel has been consumed. That means that if you think the GNP is going to grow at a rate of three per cent until the year 2000, the implication of today's numbers is that you are looking at a two per cent growth rate in steel for a three per cent growth rate in GNP.

My personal view is that part of the reason the intensity of North American steel demand has been declining is because the economy in general is living off a lot of old assets--old railroads, bridges and buildings. You can only live off old assets to a certain point; then you reach a point at which you have to, in effect, regenerate the asset base.

North America is different from the rest of the world in that we have been the beneficiaries of not having any wars here. Unlike Europe, which was bombed out 40 years ago and where a great many things had to be rebuilt, we have not had to rebuild because of catastrophes, by and large.

The force of numbers seems to suggest that we are at the point where fewer and fewer major renewals and upgradings can be postponed. We will have to have a steel demand at higher levels than you otherwise would have expected if you kept on projecting the past trends. That is my personal net assessment.

In the past two years, there has been a reversal of that declining steel intensity trend in North America. Steel demand has grown faster than real GNP in the United States in each of the past two years. It has been an above-average growth market.

5:20 p.m.

My view is that the steel industry is not a growth industry. It is an industry where low-cost producers have a place. It will not be dynamic, but we should not count them out. That is not meant to walk anybody to hell in a hand-basket. Part of the problem was that the United States steel industry had so much overcapacity that it had to be worked off. Now a good deal of the capacity has gone down the road and the survivors are dealing from a more world-competitive base. You bet on an athlete in a competition more than you bet on a pedestrian.

Mr. D. W. Smith: You said that you felt Algoma was at two o'clock on the cycle?

Mr. Liddy: I am saying the overall demand for steel has passed its crest.

Mr. Morin-Strom: Not just Algoma; all steel.

Mr. D. W. Smith: Would you not say that there are a lot of industries that are at two o'clock and have peaked? By 1988 they might be at about six o'clock.

Mr. Liddy: You are asking me a question that is outside the parameters under which I am supposed to answer more than a cab driver does.

Mr. D. W. Smith: I realize that.

Mr. Wildman: You are also getting into metaphysics.

Mr. D. W. Smith: Cycles too.

Mr. Taylor: A question arises out of all this. I am concerned about the impact of US protectionism on the steel industry, not only on Algoma but also on other steel industries in Ontario. Do you see that as still a real problem? If it is, will it impact adversely on Algoma and others? Will a positive response by the US to Canada's request for free trade be a healthy thing for the steel industry?

Mr. Liddy: This is an easy question. Free trade with US steel would be the greatest thing that could happen for the Canadian steel industry.

Mr. Taylor: The greatest thing that could happen?

Mr. Liddy: Right.

Mr. Taylor: I am interested in all this because of the posture of your party in regard to opposing so strongly any negotiations for freer trade between the two countries. On the one hand, you have that posture and the fallout from that position if you are successful in your argument--I am talking to the New Democratic Party.

Mr. Wildman: It does not necessarily help iron ore, does it?

Mr. Chairman: You are embroiling the witness in a political debate here.

Mr. Taylor: Not a political debate.

Mr. Wildman: What helps steel does not necessarily help iron ore, does it?

Mr. Liddy: To make steel, you have to use iron ore. If the wind is blowing against steel, it must necessarily blow against iron ore.

Mr. Wildman: Certainly, but free trade, specifically related to iron ore, does not necessarily help Ontario.

Mr. Liddy: If there were free trade in iron ore--

Mr. Wildman: Or Quebec or Labrador, for that matter.

Mr. Liddy: --it would be good for Canadian steelmaking.

Mr. Wildman: Certainly.

Mr. Liddy: Okay.

Mr. Pierce: We have free trade in iron ore.

Mr. Wildman: Yes, we do.

Mr. Liddy: The trade in iron ore--

Mr. Pierce: Is not restricted.

Mr. Liddy: It is pretty much governed by corporate ownership positions, far more than it matters of commerce.

Mr. Pierce: If Algoma Steel, which is using the iron ore from Wawa today, were able to make--

Mr. Wildman: Only 40 per cent of it; 60 per cent comes from the US.

Mr. Pierce: I realize where we are getting the ore from and I realize how much they are using, but a downturn in the steel industry and the closure of Algoma Steel mills is not going to help the iron ore industry in Wawa.

Mr. Wildman: Obviously.

Mr. Liddy: Certainly not.

Mr. Pierce: That upturn, or freer trade with steel products, should enhance the availability and use of iron ore from the Wawa mine.

Mr. Liddy: What I tried to say was that--

Mr. Wildman: Supply at the proper price.

Mr. Liddy: What I tried to say was that, requisite to things being good for iron ore, things must be good for steel, but not necessarily in

reverse from the point of view of an iron ore producer in Canada--

Mr. Pierce: That is right.

Mr. Liddy: --because of the alternative of Canadian steelmakers buying US-source pellets of which they own a piece.

Mr. Wildman: If we get into negotiations for a free trade agreement with the US, which may take two or three years or whatever, and if there were finally a free trade agreement between our two countries, that does not change what you have said about the total North American market being on a downswing in the next two or three years.

Mr. Liddy: It would not alter the market condition.

Mr. Wildman: Exactly.

Mr. McGuigan: Will it affect Canada, having a 10-to-one ratio?

Mr. Liddy: In a commercial sense, if there were free trade with the United States tomorrow morning--let us define "free" as meaning that anything can go across the border either way--the probabilities would be that because Canadian steelmakers are lower-cost producers than many US steelmakers, they would displace a lot of offshore imports into the United States. Canadian steelmakers would be net beneficiaries, so that even though aggregate demand might go down, completely clear and unfettered access would mitigate the downturn for folks such as Algoma Steel Corp.

Mr. Wildman: Considering the situation that US steel companies are in, many of them in worse condition than Algoma, do you think it is very likely there will not be pressure from American producers against free access to the American market for Canadian steel?

Mr. Liddy: You folks are the politicians; I am not. No matter what you do, there is somebody who is going to say, "It ain't good for me." No matter what you do, somebody is going to get his ox gored. Would there be opposition to free trade with Canada in steel? Yes, there would. Parallel to that, a lot of people would be very interested in promoting free trade.

Mr. Wildman: The customers.

Mr. Liddy: A lot of customers, and US automakers as well. The government probably would like to have free trade in steel. The United States is steel-deficient. It cannot produce enough for its own demand, so it is by definition import-dependent.

What they do not talk about is that from the US perspective, they can use the availability of Canadian steel to lever offshore suppliers into doing what they want them to do. The offshore suppliers cannot say, "You need us, so do not try to tell us what to do." The availability of Canadian steel is a trump card from Washington's point of view. No one says that out loud, but that is the real world.

Mr. Morin-Strom: May I have a supplementary?

Mr. Chairman: I think we should start to wind up our questioning of Mr. Liddy. Mr. Lamb is here and we want to hear from him as well. Go ahead.

Mr. Morin-Strom: On this point of free trade, can the Canadian steel companies compete with the prices of steel being imported into the United States from Asia and other Third World, newly developing countries, without dumping, without selling below their price structure in Canada?

Mr. Liddy: Yes.

Mr. Morin-Strom: Is it not a fact, particularly in terms of seamless tube production, that Algoma is totally excluded from the US market today because it would be dumping there, because the US price structure is below that of Canada and it has no opportunity without destroying the Canadian price structure to avoid the--

5:30 p.m.

Mr. Liddy: We are in a very technical area here. The definitions of dumping in the United States usually--I use that word "usually"--relate to the fact that your export price cannot be below your domestic price. Sometimes, and this is one of the issues that is critical to seamless tubes, the US folks make their calculations against the average cost of US producers, folks do their calculations against the average cost of US producers, not against prices but against cost.

To recast your question, could Algoma Steel sell in the US? Are they competitive on a cost basis? The answer is yes. It appears that because of the market having collapsed, and steel demand is not price-elastic, the US suppliers are dropping prices to their marginal cost of production to sell the product. At that point, no, they cannot.

Mr. Morin-Strom: How could Algoma possibly sell more seamless tubes into the US, even under free trade?

Mr. Liddy: This week, they cannot.

Mr. Morin-Strom: Can that change under the current oil problems when you have discounted prices on seamless tubes in the market?

Mr. Liddy: At the prevailing pricing structure in seamless tube markets in the US, they cannot right now. If the level of demand rises in sympathy with improved or higher--I do not know whether higher oil prices are improved. What is good for an oil company may not be good for me. At higher prices of oil, you will probably get higher levels of drilling activity. In those circumstances, the demand for the product goes up. If the inventories have been washed out of the system, you can get prices of seamless tubes moving up. Algoma has the number one mill down because there is no point in making it if you cannot sell it. They are probably selling out of inventory.

Mr. Wildman: Can I just ask one short question before Mr. Liddy gets away? I really appreciate your answers. I would like to ask a question on the other end. We have been talking largely about the market end. In terms of raw material supply, can you comment on the sources of raw materials for the three major steel companies in this province. How are Stelco's and Dofasco's different from Algoma Steel's?

Mr. Liddy: Very succinctly, Algoma is virtually completely integrated. They source all their raw materials from companies in which they have an ownership interest. We are combining coal and iron ore here for simplicity's sake. Stelco is about 75 per cent integrated. Dofasco is about 60

to 65 per cent integrated. Basically, Dofasco is more heavily integrated on the iron ore side but less on the coal side. They have been relying on spot markets. Algoma is long on raw materials, more than the other two steelmakers are by a significant margin.

Mr. Wildman: Does that give the other two companies an advantage because they are able to purchase on the spot market offshore raw materials that are significantly cheaper than they are in North America?

Mr. Liddy: It depends on the state of the markets. You said offshore. I do not think that Canadian steelmakers are buying offshore iron ore. If they are, tell me because--

Mr. Wildman: I asked that question because I have been told by management of Algoma ore division that if--and I underline the word if--Algoma had purchased offshore iron ore, and they are even talking about taking it through the lakes to the Sault--

Mr. Liddy: They could land it cheaper.

Mr. Wildman: --they could land it and they could have saved perhaps \$2 million last year.

Mr. Liddy: While it may seem self-serving in their conversation with you to say that, I think the realities of the marketplace verify it.

Mr. Wildman: I know they are not doing that.

Mr. Liddy: They are not doing that. They are enduring a penalty of sourcing higher-cost ore than would be available in the marketplace right now. The Brazilians are the folks who are the bad actors in the iron ore pricing game right now. You could land iron ore from Brazil in the Sault at a lower laid-down cost than that at which it comes in from Wawa.

Mr. Pierce: In Mr. Gordon's remarks the other day--

Mr. Liddy: I find myself always responding to Mr. Gordon here.

Mr. Pierce: Unfortunately, you are here the day after.

Mr. Wildman: He came first. If you had come first, we would have asked him to respond.

Mr. Pierce: He made reference to the fact that a number of small steel manufacturing companies in the US have gone broke and have been picked up by new buyers at a much depressed rate. They were going for 30 cents on the dollar. The mills were vacant for two, three or four years and then started back up with \$13-an-hour labour.

Mr. Liddy: Right.

Mr. Pierce: As a result, it picked up some of the market that was being supplied by other sources. He almost indicated that this may be what is necessary for the Canadian steel company to get back in the business again. How do you feel about that?

Mr. Liddy: It is like eating your children. I do not think that is the way to go. You do not impose those kinds of remedies on situations. Algoma

has a fix with its AMCA International holding, which is a liquid asset, and you certainly pursue that measure prior to anything as draconian as putting everyone else--trying to knock down their wage rates. There are less painful ways of addressing the problem. I think something has to be done about the workers being laid off, but you do not send everybody else down the road to prove some kind of point. That is not the way to do it.

Mr. Pierce: Given the announcement by Algoma Steel that it may downsize its operation by 1,500 people in both the steel and iron ore-producing areas, do you see that that may be the survival factor for Algoma Steel and that it can maintain its operation with its remaining employees, or are we looking at another downsizing by 1,500 employees a year from now?

Mr. Liddy: In my opinion, if it downsizes, sells its AMCA interest, and uses the proceeds from that sale to reduce debt, it has a solid base for continued operation. I do not think there is any one solution. It is not cutting costs; it is not selling; it is a combination of elements. That is my opinion. I think they have to do both. I do not think one is good enough.

Mr. Pierce: I want to thank Mr. Liddy for coming in. I found the information he has provided us with today very useful. A number of questions asked by members of the committee, of course, are questions that would have been asked by a lot of us.

Mr. Chairman: Mr. Liddy, on behalf of the committee, I would like to thank you. We are not experts in the iron ore field or the steel industry, but at the same time we are expected to make recommendations on government policy. We have a difficult task and we thank you for your contribution in helping us in these deliberations.

Mr. Liddy: It was my pleasure.

Mr. Chairman: We now have with us Mr. Lamb, with whom I have broken bread on several occasions at Ontario Mining Association dinners. It is good to see him here. Mr. Lamb, welcome to the committee. We appreciate the time you have taken to come here. Perhaps you could acknowledge that you are the past president and chief executive officer of Steep Rock Resources Inc., and give us a little background about yourself.

L. J. LAMB, STEEP ROCK RESOURCES INC.

Mr. Lamb: Doug called the other day and asked me if I would be interested in coming and talking, particularly about the iron ore industry. I am an engineer by training and have spent most of my working life in the iron ore industry. Before I retired from Steep Rock two years ago, I was its president and chief executive officer. My association with Algoma--I hear lots about Algoma here--goes back a fair way as well in that I was born and raised in the Sault.

Mr. Chairman: Steep Rock was owned by Canadian Pacific.

5:40 p.m.

Mr. Lamb: Yes, it controlled 76 per cent. My first job after graduating was in Wawa. I met my wife there and our first child was born in Wawa, so our feelings for Wawa and that operation go back a long way.

Using up a little bit of time, my wife went there as a nurse. At that time, the only way to get into Wawa was by rail because there was no road. She went down to Union Station and asked to buy a ticket to Wawa. The guy said, "A return ticket?" She replied, "No, one way." The guy said, "Lady, nobody buys a one-way ticket to Wawa." That did not turn out to be true.

Our feelings for and our associations with Wawa go back a long way. Although I left the employ of Algoma Steel in 1956 to go to another iron ore producer, I then became associated again because Algoma was a joint venture operator with Steep Rock during the period from 1969 to 1979 when I was with Steep Rock. I know the senior people at Algoma fairly well and have worked closely with them as it pertained to the Steep Rock operations. I do not have any formal ties to Algoma now, except from when I worked for it. I have 20 shares or something such as that; so I get its literature and read what is going on. That is where my information about Algoma comes from.

Mr. Pierce: Are you going to sell them?

Mr. Lamb: No, I am not going to sell them.

That is where I come from and that is the basis of my knowledge. That might be of some help to you.

Mr. Chairman: You are a small shareholder compared to Mr. Wildman.

Mr. Pierce: I want to welcome Mr. Lamb to the committee and thank him for coming. Our association goes back a number of years because I come from Atikokan. As Mr. Lamb stated, he is the past president and chief executive officer of Steep Rock Resources. Even after Mr. Lamb left Atikokan, I was associated with him through his office in downtown Toronto because of what was happening in Atikokan with respect to iron ore and the closure of the mines.

I am going to call you "Larry." I am not going to call you "Mr. Lamb" and I do not want you to call me "Mr. Pierce," because we have not done that for a number of years.

Larry, when Steep Rock was looking at its closure, there were a lot of references made to Algoma Steel's involvement with the Michigan ores in the Tilden mine. A lot of accusations were thrown around that Algoma Steel had got into a joint venture agreement in Michigan and that in order to satisfy that joint venture, it was going to be moving into supply from Michigan rather than taking Canadian ores.

That operation is now well in place, is producing ore and is supplying it to the Algoma mills. Is that a factor in what is happening with the possible continued operation of Wawa? As it was stated here earlier today, only 40 per cent of the iron ore going into the Algoma mill is coming from Canadian sources. The remainder comes from the United States. Is the obligation to Tilden so strong that Algoma would close the Canadian operation and take its ore from the United States? Do you know anything about that?

Mr. Lamb: Actually, I do not. With Algoma's obligations to buy from Michigan plus the cost of producing in Michigan, I would guess that if ore is cheaper than what it is in Wawa, then that is the way Algoma will go.

Mr. Pierce: Mr. Scott, who was before the committee on Monday, said the ratio of labour involvement in taking iron ore out of an underground

operation as opposed to a surface operation is about five to one. As a result, the cost of underground extraction is greater than that of the open pits. Is that about right?

Mr. Lamb: On a ton-for-ton basis, it is. You could produce a ton of ore per se considerably more cheaply using the open-pit method than underground.

Mr. Pierce: Let me ask you about the grade of the ore from Wawa as opposed to the grade of ore from Michigan? Are they compatible?

Mr. Lamb: The ore that they are getting out of Michigan, I would think, is in the neighbourhood of 24 to 25 per cent iron as it comes out of the ground. They concentrate and upgrade it and then pelletize it so that the pellet they produce is about 66 to 67 per cent iron, the pellet they get from Tilden. The ore from Wawa is a completely different type of ore. It does not concentrate in the same way. It runs about 33 per cent iron in the form of a carbonate in the ground. The sintering process is both their heat process and their concentrating process. In fact, all they do is basically drive off oxygen so they change iron carbonate into iron oxide and end up with about 50 or 51 per cent iron so that their low grade to start with is somewhat higher in iron content. Their sinter is a considerably lower grade than the material they are getting from Tilden.

Mr. Pierce: Would the smelters at their steel mill be more acceptable to the taconite type ore, which you referred to as coming out of Michigan, as opposed to the sinter ore that is coming out of Wawa?

Mr. Lamb: The word you used, Jack, would it be more which?

Mr. Pierce: Would it be more acceptable to the design of the smelter?

Mr. Lamb: I really do not think so. The blast furnace will accept readily material in both the sinter and the pellet form and, of course, the higher tonnage you can put in or the higher iron content that you can put in, the more productivity you can get out of that furnace.

Mr. Pierce: The reason I asked that question is just some of the background to the Steep Rock range iron ore which is the hematite-type ore. Once it was pelletized, they still had all kinds of problems with it exploding in the blast furnaces. I wondered if there was any difference in the pelletized ore that is coming out of Michigan and the sintering type ore coming out of Wawa?

Mr. Lamb: I would think they would be both reasonably equal. If there would be any advantage, it would probably be to the advantage of the pellet.

Mr. Pierce: In respect to the availability of the two sources of ore, and given your background, do you consider it would be cheaper to get the Michigan ore than it is to get the Wawa ore, or is that a fair question?

Mr. Lamb: It is certainly a fair question. My guess would be that the operating costs would be comparatively equal now, but you fellows will be able to talk to them at Algoma and they are not going to BS you on that. They will give you those figures, I would think.

Mr. Pierce: That is all I have.

Mr. Chairman: Mr. Wildman, you have a question?

Mr. Wildman: I apologize, Mr. Lamb. I was talking to my colleague while you mentioned that. What was the last point you made?

Mr. Lamb: I would guess that the operating costs at Tilden versus the operating costs at Wawa would be reasonably the same, but again I may be wrong.

Mr. Wildman: That is true. Right now, the operating costs at Wawa are slightly less than those at the Tilden operation because of debt load related to bringing a new mine on stream and so on. As time goes on, those figures will level out and eventually get to the point over some time where the Tilden operation will be cheaper than the Wawa operation. Initially, at the annual meeting--I do not know whether as a shareholder you were in attendance at the annual meeting--

Mr. Lamb: No, but I read the report there.

5:50 p.m.

Mr. Wildman: Dr. MacNamara indicated, in outlining the plan for action, so-called, that they would be restructuring their raw materials sourcing and they would be looking at all of the options regarding the Algoma Ore division operation in Wawa. A study was being done and a final decision will be made in mid-June.

The full range of options would be to continue as they are, to cut production and lay off workers, or to shut down completely and lay everybody off. Yesterday, the Algoma Ore division management informed its employees that it was really considering only two options: cutting production capacity to 900,000 tons per year from the current capacity of 1.8 million, although they are operating at 1.4 million, or shutting down completely.

At the same time, Algoma Steel announced that the Tilden operation, which is operated by Cleveland Cliffs, will be operating at 50 per cent capacity next year. That is not a cut of 50 per cent, but it is a cut of about 10 or 20 per cent, because it is operating well below capacity now.

Mr. Lamb: Its capacity is higher.

Mr. Wildman: Yes. As was indicated before, it is producing about 60 per cent of the ore that is being used by the steel mill.

Mr. Lamb: However, at four million the Tilden operation is at 50 per cent. Its capacity is eight million.

Mr. Morin-Strom: That is right, and Algoma has a 30 per cent share of that. It gives them a 1.2-million allocation.

Mr. Wildman: They are not getting all the ore from Tilden.

Mr. Lamb: No.

Mr. Wildman: It was stated by one of the analysts who appeared before us previously that he did not believe operating Tilden at 50 per cent made it a viable operation. As a former president of an iron ore company, how would you react to that kind of statement?

Mr. Lamb: I would say the analyst was wrong.

Mr. Wildman: Why?

Mr. Lamb: That plant was originally built to produce four million tons, and they had one line. Here we have everything geared up and we are going to go for four million. If business is good, we put in another four million. They were anticipated to go to 12 million. To fall back to four million would be an operation they anticipated to start with and went with. It would not cover the capital of the second line, but as far as operating costs are concerned, I think they would be viable.

Mr. Wildman: With regard to the Algoma Ore operation, I understand it is the only underground iron ore mine in North America. Is that correct?

Mr. Lamb: It is the only major one. I think there are a couple of smaller ones in Missouri that come up and down, but it is the major one.

Mr. Wildman: Algoma Ore has informed me and the public, both - privately and publicly, that in its view it is one of the most productive underground mines in North America, if not the most productive one. It is at something like 70 tons per man-shift, as opposed to Inco's best at about 20 tons per man-shift. Do you know enough about the Wawa operation to be able to say why that is such a productive mine?

Mr. Lamb: Basically, there are two reasons, perhaps three. That operation has been there a considerable time. It has excellent management and an excellent work force. The miners have been there a long time.

Mr. Wildman: They are very experienced men.

Mr. Lamb: That is right, and they have done well. The second factor is the structure of the ore body. It is quite competent.

Mr. Wildman: It is very stable.

Mr. Lamb: Yes. You can open up large rooms and it does not require large support vis-à-vis the Inco operation, for instance.

Mr. Wildman: Inso would be spending a lot more time scaling and putting in support than the people at Algoma Ore.

Mr. Lamb: Yes. There is probably much more development in terms of cost. Again I am guessing, but for comparative purposes, if you went in at Algoma, you could open up a room this size and get ore from it.

Mr. Wildman: I have seen them. There are some rooms this size

Mr. Lamb: And much bigger.

Mr. Wildman: Much higher than this too.

Mr. Lamb: Yes, they are 200 feet high by 70 feet. The ore body itself is minimal to large-scale, low-cost operations.

Mr. Wildman: It is a very productive operation in comparison to other underground mines.

Mr. Lamb: Yes.

Mr. Wildman: Its problem is not so much that it is not productive but that it is having to compete with open-pit operations. Is that fair to say?

Mr. Lamb: Yes.

Mr. Wildman: In the past, we have been informed that the manganese elements within the ore were an advantage for the steel company at Wawa. We have been told recently that, because of changes in steelmaking technology, the manganese component may have become a disadvantage. Could you comment on that?

Mr. Lamb: You would probably be better to get that from a metallurgist rather than from me, although I certainly do not dispute it. I will add that the manganese and the association in the Algoma ore was something that some steel companies liked.

They did not in the Sault. The manganese that was associated with the ore at Steep Rock was very much a detriment all through the piece. We had to steer clear of high manganese areas in our operations. Manganese has always been a problem under certain conditions, and maybe it now is totally. It is not new that manganese is a problem. It is possibly new that manganese is a problem for Algoma.

Mr. Wildman: I have been informed by management at Algoma Ore that, since the 1982 downturn it has made tremendous strides in productivity at its operation in Wawa, to the point where it is producing about the same amount as it did in 1982, when it had 700 employees. It now has about 450. If it was not able to continue to improve its productivity, and obviously there is a limit, would that make it a more viable competitor to the Tilden operation, in your view, even though Tilden is an open-pit mine?

Mr. Lamb: It is a matter of extent. You said "if it was able to do it" and "to what extent."

Mr. Wildman: I realize it is hypothetical.

Mr. Lamb: If it continued substantial improvements in labour productivity, through methods, harder work, more hours or whatever.

Mr. Wildman: I think it is a combination of technology, methods and harder work. It is all three.

Mr. Lamb: Someplace along the line, I guess it could work.

Mr. Wildman: Are you familiar with what are called take-or-pay agreements by laymen such as me?

Mr. Lamb: Yes.

Mr. Wildman: Is this an unusual situation in mining?

Mr. Lamb: The contract itself is not unusual, but the implementation might be.

Mr. Wildman: What do you mean by that?

Mr. Lamb: For the tremendous capital costs that were required to put an iron ore property in place, when the company went to people who were going to put up the money, people said, "Are you sure you are going to be able to sell the ore?" We could have gone to Algoma, Stelco, Dofasco or anybody and said, "Will you give us a take-or-pay contract?" Unfortunately, in the years I was at Steep Rock, we were not able to get any of those new operations off the ground, although it had been the norm until that time. As the industry goes, they have been able to negotiate out of those take-or-pay contracts to some extent.

Mr. Wildman: You may not have any knowledge to be able to comment on this, but do you know if there is such a contract among Cleveland Cliffs, Algoma Steel and the other two US partners in the Tilden mine?

Mr. Lamb: No, I do not have any factual knowledge.

6 p.m.

Mr. Wildman: I have one other question with regard to Steep Rock. When it became obvious that Algoma and CP had decided the operation would cease, what were your projections of actual mineral left?

Mr. Lamb: Your premise is wrong.

Mr. Wildman: Okay.

Mr. Lamb: It was not CP and Algoma that decided it was not going to happen any more.

Mr. Wildman: It was Steep Rock. Okay.

Mr. Lamb: It was Steep Rock that decided we should not be in operation. We had a joint-venture agreement with Algoma and under that we had a profit-sharing arrangement. It was very much to Steep Rock's detriment to go on. We had a firm contract with Algoma under which we could have forced them to pay the full market price and we would have absorbed any loss. That sure was not going to do us any good. So it was a Steep Rock decision and a Steep Rock shareholder decision, including, at that time, 65 per cent owned by CP, that we should close operations.

Mr. Wildman: At that time what mineral did you project was still available to you if you continued to operate? I say mineral, rather than oil, purposely.

Mr. Lamb: I know where you are coming from. There is a lot of mineral, but I would not ask that--

Mr. Wildman: Right now, at Algoma Oil, we have been told that there are 25 years left in phase 4 and there is probably a lot more mineral deeper down if it were to go to phase 5. There is a lot of iron there.

Mr. Lamb: Yes.

Mr. Wildman: What determines what is oil does not necessarily determine what is mineral.

Mr. Lamb: Yes. So what is mineral is almost irrelevant.

Mr. Pierce: A supplementary to that is that unless the drilling is done to determine the amount of oil that is left then nobody knows how much mineral is left there. Of course, the exploration drilling was stopped a number of years prior to the actual closing of the mine so that the determination of the mineral that is left is really unknown.

Mr. Lamb: In total, I would agree with that if you are talking about the Steep Rock operation.

Mr. Pierce: Yes, both Caland and Steep Rock because they ceased to do any exploratory drilling once they realized that their end was coming within so many years.

Mr. Lamb: We did have some very deep holes from the underground. We said okay, there is mineral there that goes down a considerable depth from where we were.

Mr. Wildman: As far as the Wawa-Algoma oil division operation is concerned, they have projected 25 years of mining.

Mr. Lamb: Yes.

Mr. Wildman: There could be a lot more if conditions were right.

Mr. Pierce: Even beyond the 25 years if the exploration was to continue.

Mr. Taylor: I want to clarify this but I would surmise that it is not ore. It would be mineral, but it is not ore unless it is economic to take out.

Mr. Wildman: Certainly, that is right. But the company has made considerable investments in upgrading with the view in mind that it was going to continue mining. They would not have put the money in there--

Mr. Morin-Strom: Stage 4, which was to extend the life of the mine for another 25 years, came on stream in 1979. They included one of the most modern systems in North America for carrying the ore out of the mine directly via a conveyor, without any elevator or any of the old loaders that they once used on the trams. It goes by conveyor belt line something like three or four miles underground from where the ore is mined to the site of the sintering plant which I think is several miles away from the ore shaft.

Mr. Wildman: That is one of the improvements.

Mr. Morin-Strom: It is a very efficient operation to carry the ore directly to the sinter.

Mr. Wildman: I have one other question. As my colleague the member for Sault St. Marie (Mr. Morin-Strom) has pointed out, that is one of the improvements in technology which has led to the improvements in productivity.

Mr. Lamb: I would like to comment on that.

Mr. Wildman: Go ahead. Right now.

Mr. Lamb: We were trying to get our Lake St. Joseph property going in the early 1970s. We were talking to all the steel companies and to

governments and trying to get things going. The basis for Lake St. Joe was the same as for the whole of the North American steel industry, that our capacity would be increasing by six per cent a year. Where are we going to get the ore? In the 1972-74 period, people said okay, if that is going to be the case, we now have to get some capacity in. In about 1974, you saw all those decisions made that put in the increased capacity to come on stream in 1979; the Tilden came on in 1978-79 and all of those big improvements in Minnesota, including the improvement in stage 4.

Mr. Pierce: Wawa.

Mr. Lamb: All of those things came at the same time. All of a sudden, where is your steel-making capacity? Everybody thought it was just going to boom.

Mr. Pierce: But there were decisions made in 1975 and brought on stream by 1979?

Mr. Lamb: Exactly.

Mr. Pierce: Because it takes that long to put them into place?

Mr. Lamb: Exactly. So that is what happened to the iron ore industry.

Mr. Wildman: There are two things I would like you to comment on before I finish. One, when Steep Rock closed, what provisions were made for the workers and what was done for the community by the company? The other question on which I would like you to comment relates to the world market, but leave that for a moment.

Mr. Lamb: One of the fortunate circumstances that happened as far as what Steep Rock did for the workers was concerned was that between the time we announced early in 1978 we were going to close with an anticipated closure of late 1979 or early 1980--in fact it ended up being October 1979, or something like that--we had been in a three-year cycle of negotiations, 1978 being a year of negotiation. So we had to sit down with the union and negotiate a contract. It was a different type of situation than in many places where on closure they say: "Okay, we will close them. This is what we are going to do," and then they shut down.

We had a year and a half to go; we negotiated what that closure should be and what the benefits should be on closure. It still amazes me that the steelworkers of that day said: "We want more money. We are not interested in pensions, not per se. We are not interested in severance pay. We want more money, today, per hour."

Mr. Wildman: Do you have any figures as to what the average age of your work force was? Were they young or older workers?

Mr. Lamb: No, they were relatively older. It was a very well-established work force. The average seniority would have been 17 years and a lot of people with 20-plus. It was a relatively stable work force. They were caught up in a trend of more dollars so that the pension benefit that we improved at that time was from \$8 to \$9 per month per year of service. We went into the negotiation and the first monetary thing we put on the table was an improvement in the severance benefit and three months later, that did not change. We had the benefit of a negotiation and everybody agreed that was a good thing to do and what we would have.

Mr. Wildman: They accepted the severance. Of course, today the federal government would take their severance away from their unemployment insurance so that would not be very useful to them.

Mr. Lamb: Yes. The things we did were to make some basic changes during the last two years of operation where the senior employees were retrained, even though it was going to be for a six-month deal or something like that. We kept them on as long as we could. The severance pay was one week's pay per year of service up to a maximum of 15 years--or maybe it was 12 1/2 years. We really did try to assist the employees to relocate with some success. Not with a lot of success but with some. We had various committees working to do that. As far as the community was concerned, there was really not a whole lot.

Mr. Pierce: On the severance pay issue, when I was laid off in 1979, if we did not protect our severance pay by registered retirement savings plans, we also lost our unemployment insurance so that is not something new. So that we do not get going in the wrong direction, that has been there for a long time.

6:10 p.m.

Mr. Lamb: There was an excellent feeling between the officials of the town, of whom Mr. Pierce was one, the company and the employees in that we tried to make the most of a bad situation. To my mind, there was a better feeling in those two situations than in any other I have heard of.

Mr. Pierce: In hindsight, when we see what is happening now, there are many things we could have done that would have improved the situation. However, as I say, that is hindsight. We did what we knew at the particular time in our lives and we did the best we could do with it.

Mr. Chairman: Mr. Pierce, were you on the council at that point?

Mr. Pierce: Yes.

Mr. Lamb: Jack was the reeve of Atikokan at that time.

Mr. Chairman: You laid off the reeve?

Mr. Pierce: No, I was able to hang on for a couple more terms and then was defeated.

Mr. Wildman: What do you know about the current iron ore market domestically and internationally? We have heard, as you heard earlier, comments that Brazilian ore could be delivered to Sault Ste. Marie for less than it would cost to mine it and deliver it from Wawa to the Sault. Jack and I know very well what is happening in the iron range in northern Minnesota and so on. What is the reason for what appears to be the current glut of iron ore on the world market?

Mr. Lamb: The North American steel industry has lost ground to the worldwide steel industry, to a greater extent than they anticipated. That is probably the major reason. Also those great expectations of the early 1970s to put iron ore capacity in place has caused the real glut.

Mr. Wildman: Thank you very much, Mr. Lamb.

Mr. McGuigan: Coming back to the theory, we have heard how Algoma got into trouble by responding to the demand for seamless steel. At the time, the demand in the oil field was putting in a lot of capacity, so other people put in capacity. Looking back, we can say they made a mistake.

On the other side of that coin, you are in the business of supplying a commodity. I do not care what that commodity is. Your customers want more than you can deliver and you make the decision: "I am afraid that several years down the road, if I expand, I will get caught. I will just keep on peddling along as I am and supply what I can with our present mill." Is that not often the road to disaster, too?

Mr. Lamb: Absolutely.

Mr. McGuigan: So we come down to the fact that everybody in the steel industry is caught in a cycle due to world conditions beyond their control.

Mr. Lamb: I would agree with that.

Mr. McGuigan: If they had curtailed their operation, they would have made that many fewer opportunities for workers, a lot fewer opportunities for the town to expand and so on. They could very well have been criticized for that and would probably have ended up as a supplier of last resort. If you are not able to supply your customers, it is not too long before they find somebody who can. They might continue to buy from you, but more or less as a last resort.

Mr. Lamb: I would think that is a good assessment. Certainly, when the seamless tube mill went in--hindsight is great--I remember hearing that it was very smart and a good thing to be doing at that time.

Mr. Wildman: To be fair, the two analysts who appeared before us and said it was a bad move, also said they told the company at the time they were doing it. They also said, as you have indicated, that they were in a minority at that time.

Mr. McGuigan: My point is that it is very easy in hindsight to do that.

Mr. Wildman: That is not hindsight. At the time the company was doing it, these two guys told them it was a bad move, but they indicated that they were in a minority at that time. The majority did not agree with them.

Mr. McGuigan: But even had the company taken that advice at the time, it eventually could have placed them in a bad situation.

Mr. Chairman: Do you have any other questions or comments?

Mr. McGuigan: No.

Mr. Pierce: I have one comment. It is interesting for us as committee members to hear some of Mr. Lamb's comments, and how they reflect on the steel industry, particularly the iron ore mines. That was in the early 1970s, when an anticipated demand for steel indicated that those producers should gear up for that demand.

I hear many people saying to me, as the member for Rainy River, that

Ontario Hydro should never have built the power plant in Atikokan. As you have just heard Mr. Lamb say, however, they were looking at a fairly large-size operation in Lake St. Joseph. They were looking for an extended operation in Bending Lake. Some of the paper companies were looking at additional companies or mills in northern Ontario.

Hydro, like everybody else, started to design and build for the future demand of Hydro needs, so the kind of a situation we can get into is interesting. Do you build in anticipation of the demands, or do you wait until the demand arrives and wish you had it five years ago?

Mr. Taylor: And with the ever-increasing lead times necessary to put something into production--

Mr. Pierce: That is right.

Mr. Lamb: We would not have the industrial base we have in Ontario today if Ontario Hydro had not been doing those things in the 1920s and 1930s.

Mr. Pierce: And if we had to wait until all the demand had gone past us. Thank you very much.

Mr. Chairman: Mr. Lamb, on behalf of the committee, I thank you for appearing before us. We appreciate it very much, especially with someone who has had your on-the-ground experience, as it were, with--

Mr. Wildman: Even underground.

Mr. Chairman: Even in-the-ground experience. Thank you very much for helping us.

Mr. Lamb: You are very welcome. It was good to see you again, Jack.

Mr. Pierce: It was my pleasure.

Mr. Chairman: Before we adjourn, we have one witness tomorrow, Mr. Marshall E. Miller of Alfred Bunting and Co. Ltd. Of course, Monday is a holiday, so we will not be here. On Wednesday morning, we head for the beautiful environs of Sault Ste. Marie and Wawa.

Mr. Pierce: When we adjourned Monday's meeting, the then chairman asked that we all be here at 3:30 p.m. because we had people coming in to make presentations. As you all know, the House duties were extended beyond 3:30 p.m., and we were late getting here. We then entertained representations from the committee beyond what we are doing today, even while the presenters were here waiting.

If we are going to do that kind of thing and listen to presentations--and I do not question the merits of the presentations--they should be scheduled after the meeting, not while we have presenters here. It was embarrassing to me as a committee member to sit here debating whether we should be doing something else on committee business while we had presenters here and given the fact that the chairman of the day on Monday had said: "Let us get here at 3:30, guys. That is the time we have people coming in."

Mr. Morin-Strom: I agree.

Mr. Pierce: It is just so we have some credibility. I will leave that with you.

Mr. Chairman: The point is well taken. It is a courtesy to the witness.

Mr. McGuigan: The problem is that we always say, "This will take only a couple of minutes."

Mr. Pierce: But we know better.

Mr. Wildman: May I ask two questions regarding the visits to Wawa and the Sault? First, do you have a line on how many committee members are going? Second, what groups have agreed to appear before us when we are there? Are we going to have Hansard there?

Mr. Chairman: I will answer your last question first. No, we are not going to have Hansard. Second, the groups on this sheet have agreed to come.

Mr. Morin-Strom makes the good point that we should pursue more actively some groups not listed here and see if we can slot them in on the Wednesday evening. Rather than having more than an hour for each of the three groups listed here now, we could condense those to perhaps three quarters of an hour each and add a couple of groups if we still want them. Mr. Morin-Strom has suggested the unemployed workers and the anti-poverty group.

6:20 p.m.

Mr. Morin-Strom: The Sault Ste. Marie Anti-poverty Coalition. At least those two.

Mr. Wildman: I would also suggest that we ask members of the municipal council to bring with them their welfare administrator as well as representatives of the Sault Ste. Marie Economic Development Corp.

Mr. Morin-Strom: What you have scheduled between five o'clock and six o'clock looks like a tremendous load: the municipal council plus the economic development corporation. Those are two separate organizations at this point. We need a more adequate time slot for the city and the economic development corporation, which is to provide leadership in economic development in the community. At the least, we need three quarters of an hour for each of those. I suggest they should go from five to 6:30 and back up the other; if necessary, start at 4:30.

I suggest you could cut back the others a bit to perhaps 45 minutes. The Unemployed Workers Council presentation could be combined with that of the labour council. The Sault and District Labour Council and the Unemployed Workers Council could be combined; the anti-poverty coalition would be a fourth one during that time. Four presentations of 45 minutes each would total three hours, which saves us an hour out of that 7 p.m. to 11 p.m. period. I would like to see an extra half hour put back on to the five o'clock to six o'clock period.

Mr. Chairman: Why do we not go from 4:30 to six? We have to get from the airport--we arrive at 3:30--to the Holiday Inn and check in.

Mr. Wildman: It is a long drive.

Mr. Chairman: Can we do that between 3:30 and 4:30, or is it too tight?

Mr. Wildman: You should be able to.

Mr. Chairman: Why do we not try to schedule the beginning of the afternoon session at 4:30? You people know the city better than we do. Can we do that?

Mr. Morin-Strom: You would probably arrive about 4:10. It is about half an hour away, but assuming you are in the bus ready to go at 3:40, you will arrive at the Holiday Inn at about 4:10.

Mr. Wildman: Also, we will have transportation. It may not be necessary for us to take a bus.

Mr. Chairman: Why do we not try to schedule that for 4:30 to six?

Mr. Taylor: You are crazy. You are absolutely insane trying to push everything into a very small space. Nothing works out like on the document.

Mr. Wildman: Okay.

Mr. Taylor: You cannot plan out to that kind of a nicety. If you are going to have a select committee when we are through this, and that is the recommendation, then we can have all this representation. Remember that this was a matter of immediate public urgency and we should be focusing very sharply on the critical areas and on those groups that we feel this is going to assist.

Mr. Morin-Strom: Based on that, I would suggest there is an opportunity and a need for more time on Thursday to talk with steelworkers and the steel company if we come back in the evening rather than in the afternoon.

Mr. Wildman: I would like to make a suggestion. To be frank, I wonder whether we are going to hear a lot of different information from the Sault and District Labour Council than from the steelworkers, other than the Unemployed Workers Council.

Mr. Pierce: I have a couple of comments. First, I do not have to go to Sault Ste. Marie to tour a steel plant when I am there to study the problems as they relate to Sault Ste. Marie. My looking at the steel mill is not going to do a thing for me or for the committee report. If we are concerned about talking to the people in Sault Ste. Marie, let us not go on a tour; let us go and listen to the people of Sault Ste. Marie.

Mr. Chairman: The only trouble with that is that we end up talking about a concept rather than about something real that people see. I do not feel that strongly about it. If members do not want to do the tour, I have been in steel mills.

Mr. Pierce: I would rather tour Sault Ste. Marie than the steel mill. It is the situation of Sault Ste. Marie that we are addressing, is it not?

Mr. Morin-Strom: There is value in seeing the scope of the operations and what is actually being talked about when the company starts talking. We can see the mills and operations that are going to be shut down.

Mr. Chairman: Why do we not try to leave that in? Most members of the committee have never seen a steel mill.

Mr. Pierce: I have not seen a steel mill either. I have seen the iron ore mines. We are not going underground at Wawa.

Mr. Chairman: No.

Mr. Pierce: Why not?

Mr. Wildman: Because it would take all day to go underground at Wawa.

Mr. Pierce: I do not want to go underground at Wawa. If we are going on a tour, then we go on a tour of all the facilities. If we are going on a fact-finding mission, then let us go and find out the facts.

Mr. Chairman: What do the members from the Sault feel about that?

Mr. Pierce: How will you feel if some guy says he wants to talk to the committee but we are out touring the mill?

Mr. Morin-Strom: I have seen, many times, every level of operation we would see there.

Mr. Chairman: Would you rather cancel the tour and schedule those groups some people want to hear from?

Mr. Wildman: In a situation where people wish to appear before the committee and cannot because of time constraints, I would rather see them. But I do not get that message at this point. Unless I have missed something, I have not heard that people are requesting to meet with us but are unable to do so because of time.

Mr. Morin-Strom: Some groups have not been contacted. There are several others: the college, the university, the soup kitchen.

Mr. Pierce: What about the board of education, which is responsible to the taxpayers in Sault Ste. Marie? Any layoff impacts on the school system.

Mr. Chairman: Quite arbitrarily, I asked Mr. Decker to reduce the list because I thought it was too long and everything takes longer than you expect. I did not consult. I asked Mr. Decker to phone certain groups. I am still worried if you start cramming them in. Maybe you want to sit beyond 11 o'clock, but I will not be there. That is late as it is.

Mr. Pierce: I will not be there after 11 o'clock at night either.

Mr. Chairman: Can we agree to go ahead with the schedule the way it is except to add two groups from seven to 11 on Wednesday and plan to start at 4:30 instead of five?

Mr. Wildman: Before I answer that, I have one question of clarification. You have the United Steelworkers of America and office workers on here in two places. Can you tell me which locals have been contacted and which ones have said they will appear?

Clerk of the Committee: I contacted Andy Lavoie, the regional representative, and he undertook to contact and co-ordinate with all the different locals involved in each community to determine which groups should appear and who would be appearing for those groups. He was going to get back to me on the list of persons.

Mr. Wildman: Can I give you some information in relation to Andy's call? You must have Local 3393 in Wawa and the office workers local, which number I cannot remember.

Mr. Chairman: Surely the steelworkers should decide which of their members appear, not us.

Mr. Wildman: I agree, but on the other hand, I do not think you contacted the Algoma Central Railway local.

Mr. Chairman: Is that a steel local?

Mr. Wildman: No, it is United Transportation Union.

Mr. Chairman: Are you saying you want to hear from them?

Mr. Wildman: They have already made a request. They got a call from Joe Sandie, their rep.

Mr. Morin-Strom: We need more time to slot in those others. There is no way we can get adequate representation from certain groups.

Mr. Wildman: We do not have more time.

Mr. Morin-Strom: I am starting to lean towards forgetting the tour of the steel mill.

Mr. Chairman: Unreasonable requests are being made here. There is a limited time and not everybody will be heard. It was unusual that the committee agreed to go there in the first place and if you think that all groups can be contacted and heard, you are mistaken. It will not happen. We are better off having time to hear the groups decently, rather than jamming everybody in for 20 or 30 minutes each. It will not be successful.

Mr. Pierce: They will be waiting out in the hall if we do not give them proper time.

Mr. Wildman: They will not be waiting in the hall, they will be sitting there looking at us.

Mr. Morin-Strom: Maybe you had better cancel the tour in order to have more time on Thursday and move the Algoma Central Railway, which I think is a critical one, to Thursday to provide more time.

6:30 p.m.

Mr. Pierce: Where does the anti-poverty coalition fit into this?

Mr. Wildman: There is already 20 per cent unemployment in that community and this--

Mr. Pierce: I am just asking a question. Do not get upset about it. If you cannot ask any questions in this committee--I just asked you where they fit into it. As well, regarding the unemployed workers, are they not represented by the United Steelworkers of America? Are they not unemployed workers from the steel mills and the mines?

Mr. Wildman: They are part of the Sault Ste. Marie and District Labour Council and could be combined with that organization.

Mr. Pierce: Fine. That is the reason for asking the question.

Mr. Chairman: Mr. Pierce makes a good point. The reason they were not listed there in the first place was because I suggested to Todd Decker that, in view of the limited length of time, we deal with those people who are directly affected; those who have a direct link.

Mr. Wildman: I agree with you. The Unemployed Workers Council is going to be directly affected by these layoffs.

Mr. Morin-Strom: Yes, they represent the unemployed workers.

Mr. Wildman: I understand what you are saying, Floyd. I am not trying to argue with you on that.

Mr. Chairman: What do you want, then? It is your community. What are you finally telling us? Back up a bit. From 4:30 to 6 p.m., we are going to be hearing from the municipal council and the economic development corporation, including the welfare administrator, we hope. That is okay for that time slot.

From seven seven to 11 p.m., we are going to add two groups to that list. Those are the Sault Ste. Marie Anti-poverty Coalition and the Unemployed Workers Council.

Mr. Morin-Strom: You are not adding two groups.

Mr. Wildman: You are adding only one, because the Unemployed Workers Council should accompany the Sault Ste. Marie and District Labour Council.

Mr. Chairman: All right. So we will add that group. Is there another group you want in there?

Mr. Wildman: Wait a minute. When I say you are not adding them, you are not. They would be part of the Sault Ste. Marie and District Labour Council presentation.

Mr. Chairman: Both of them?

Mr. Wildman: No. The Unemployed Workers Council.

Mr. Chairman: What about the anti-poverty coalition?

Mr. Wildman: That would be separate.

Mr. Chairman: All right. Let us add them. So the anti-poverty coalition would be there between seven and 11 p.m., right?

Mr. Wildman: Yes.

Mr. Chairman: Okay. Is there another group you want in there?

Mr. Morin-Strom: No.

Mr. Wildman: I do not think we have time, do we?

Mr. Chairman: All right.

Mr. Morin-Strom: I would suggest moving the Algoma Central Railway to the next day and forgetting the steel tour.

Mr. Pierce: I do not think you want to leave it too long. The tour should be the last thing of the day. If you have time to do it, you do the tour. I do not think you should interrupt your business section and your fact-finding mission with a tour, then go back to them and say: "We are sorry we are late. The tour took a little longer than we expected but we enjoyed it."

Mr. Chairman: I find it very unusual to be dealing with a problem of this magnitude and not to see the operation we are talking about.

Mr. Pierce: I would enjoy a tour of the steel mill myself. I have never been through a mill. It is up to you, however. You are the chairman.

Mr. Chairman: What are your wishes, Bud and Karl?

Mr. Wildman: It is Karl's riding. I am in his hands.

Mr. Chairman: I think we can shut down Hansard at this point and work this out as a committee to deal with the actual agenda.

Mr. Wildman: I agree. I move we adjourn.

Mr. Chairman: The committee is formally adjourned.

The committee adjourned at 6:36 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT
ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
THURSDAY, MAY 15, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laugren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Morin-Strom, K. (Sault Ste. Marie NDP) for Mr. Ramsay

Wildman, B. (Algoma NDP) for Mr. Hayes

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

Witness:

From Alfred Bunting and Co. Ltd.:

Miller, A. E., Vice-President and Director

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, May 15, 1986

The committee met at 4:01 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
(continued)

Mr. Chairman: The committee members have had distributed to them the itinerary for Sault Ste. Marie and Wawa. There is a minor change to it, switching around, but I do not think it is of major concern. Basically, it stays as it is; so we will dispense with that.

Monday is a holiday. We do not sit on Tuesday on our schedule. Wednesday morning we will head for the Sault. However, the clerk will have tickets, taxi chits and everything for you on Tuesday. If you are not going to be here on Tuesday, see Mr. Decker before you leave today. Is there any problem with that?

We have with us Marshall Miller of Alfred Bunting and Co. Ltd., who I believe is a steel analyst. I do not think it is "steely analyst." He is a steel analyst who has experience here and elsewhere--in Europe, he was telling me. He has provided us with some sheets from Bunting which members will perhaps find interesting.

Welcome, Mr. Miller. We appreciate your presence here. As I indicated to you briefly, members are struggling to learn about this and make recommendations. We do not pretend to be experts on the steel industry, but we have the responsibility to make recommendations to the assembly on whether the government should or could be doing anything about the problem. We are going directly to the Sault next week to have a look at the problem.

I will ask one brief question and then turn it over to members of the committee. The person we heard from yesterday indicated that basically it was the drop in oil prices that led to the major announcement of work reduction in Sault Ste. Marie and in Wawa of possibly 1,500 people. Do you share that view, and would it have happened without the drop in oil prices?

MARSHALL E. MILLER

Mr. Miller: I think it was probably the straw that broke the camel's back. Without getting into a lot of historical discussion, this cycle has been marked by a degree of patience among steel executives everywhere as to what extent they should retrench at the moment or wait until time sort of bails them, skates them, on side. One by one, companies have come to the realization that if they are to survive and perhaps even prosper, they cannot wait for time to do that.

I think perhaps Algoma was more in the category of hoping that things would improve and, therefore, maybe not taking more drastic steps earlier, and finally came to the realization, of which the drop in oil prices may have been the straw that broke the camel's back, as I say, that led it to do this.

I am not here to advocate any particular case, but I think it is incumbent on all the steel companies in North America which are trying to operate on their own, so to speak, to get their costs down to the bone, because they are competing either with subsidized industries in other countries or industries in emerging countries which are operating on a very low cost base, that is, they have very modern plants and low wage rates.

The theory used to be that they would have less efficient labour and the low wage rate would be compensated for by less skill and training, which is still true to some extent, but also less modern equipment. That is no longer the case. There are ultra-modern plants in South Korea and places such as that, with ultra-low labour costs.

Mr. Chairman: I know members want to have a go at you and pick your mind.

Mr. D. W. Smith: You have stated the drop in oil prices was the straw that broke the camel's back or forced Algoma to do what it has done, and other people have said the same things. How long do you think oil prices are going to stay down at this level or go lower? Do you have any crystal balls into which you have been looking lately, and have you come up with any ideas?

Mr. Miller: I do not know that my crystal balls are any better than anybody else's. I follow the oil and gas industry, probably not in much more depth than people around this room do; that is, it is of interest, but it is not something in which I am expert.

What I believe from the studies in economics that I have done and the history I have seen is that whenever a cartel attempts to elevate a price structure well above the costs of production of key members, it eventually breaks down and the price eventually goes to those costs of efficient production, which other experts have said is \$6 a barrel, \$8 a barrel, \$10 a barrel. You see a variety of figures.

My personal belief is that we have seen the market share of the Organization of Petroleum Exporting Countries erode over the years because the countries that were penalized by them in a massive tax transfer from the developed world to the oil-producing countries stepped in and increased their own production at somewhat higher costs, which is a natural response to that kind of a tactic. They have responded by reducing prices to the point where the high-cost producers will have to shut down. That is where a new equilibrium will set in, in my belief.

Whether OPEC can stabilize the price at \$20 a barrel, \$25 a barrel, \$15, \$12 or \$10, I really do not know. The only articles I have seen that I would say have good backing to them in terms of studies come out of England: the Financial Times, the Economist and that type of thing. They seem to be pointing to the \$8 to \$12 a barrel area. Our feeling is that at \$8 to \$12 a barrel the Canadian industry is extremely hard pressed.

Our own internal forecast of our oil and gas people at Bunting is that we expect prices to recover to maybe the \$18 area by the winter season, but that by this time next year we could very well be back to \$10-, \$12- or \$15-a-barrel oil. If that is the norm, if that is what the future has to hold, then our oil and gas industry is not going to be doing very much drilling or buying very much lined pipe because we will not be drilling and discovering new gas and oil, which we need to increase our shipments, which is why you would buy lined pipe, for instance. My crystal ball is not very bright on that particular subject.

Mr. D. W. Smith: I do not think you are likely very far off from what the rest have been saying. It makes it that much more difficult for a government, and this committee especially, to recommend something to aid these people who might be in northern towns where these mills are. It does not sound like a very good picture when we listen to people such as you who are studying this. That is my impression. Those are all the questions I will ask right now.

Mr. Morin-Strom: You referred to lined pipe. I did not understand why you mentioned lined pipe.

Mr. Miller: I was not restricting my comments only to Algoma Steel. This problem will have some impact on Stelco, presumably.

Mr. Morin-Strom: Algoma sells virtually no lined pipe.

Mr. Miller: That is correct.

Mr. Morin-Strom: What is your opinion of Algoma's prospects for the near future and in the long term?

Mr. Miller: The prospects over 1986 and 1987, if my forecasts are reasonably close to the mark in looking for a fairly substantial decline in shipments to that industry, has Algoma continuing to lose money to a substantial degree. That, combined with the investment program that is ongoing, and including the completion of the seamless tube mill and its own modernization program, which it announced at the annual meeting, has its debt increasing by close to \$300 million over the next two years, that is to the end of 1987, excluding any moneys that they may raise through the sale of assets.

4:10 p.m.

What assets they would consider selling and what price they would get for them is, of course, speculation, but their debt position would get progressively worse, more so in 1987 than in 1986

The immediate outlook is not very good from that point of view. Beyond that period, though, we have to assume they can generate the cost savings in the area of \$80 million to \$100 million they talked about. As a rough rule of thumb, if you were to take 1,500 people, for instance, and assume an average cost to the corporation, including benefits and so on, of about \$40,000 per person, which is not a bad average to use, there is about \$60 million a year they would save, which would enable them to reduce the increase in debt that they will be experiencing.

Whether it will be enough to put them into a profitable position depends on the starting point. If you were to take 1985, when they lost \$17 million before tax, as a starting point, and go through some number work, you could come up with fairly respectable earnings, after you have paid all your interest and preferred dividends and so on, in the area of maybe \$50 million, which would be around \$3 a share.

That is if you take the 1985 base. Unfortunately, in the first quarter alone, their pretax loss equalled what they lost in the whole year last year--\$17 million. If you annualize that and say it is the base on which the cost savings are calculated, it does not take a rocket scientist to multiply 17 by four, match that against the cost savings they have come up with and come up with a substantially smaller figure.

Mr. Wildman: If your guesstimate is a saving of about \$60 million because of down-sizing of the work force, they are going to have invest about \$50 million to do what they want to do to change their operation.

Mr. Miller: Right.

Mr. Wildman: You are saying that by cutting the work force and saving that payroll they are able to pay for their reinvestment in changing the steelmaking process?

Mr. Miller: I had not thought of that in that specific connection but the figures correspond.

Mr. Morin-Strom: However, when you look at the saving of \$80 million or \$100 million, potentially--

Mr. Miller: That is their estimate, not a detailed estimate of my own.

Mr. Morin-Strom: --that is the cost side. But what about the revenue side? Are there not going to be lost sales because they will not have the capability to supply the product mix they are currently supplying? In fact, they do not have anywhere near the casting capability they need to supply the shipment level they had last year.

Mr. Miller: They say that with the alterations they are planning, they will be able to come close to the level of shipments they had last year. They have said two million tonnes. They had slightly over two million tonnes last year--2,063,000. Stelco's experience with Nanticoke has been that while you can design a continuous caster to produce at a certain rate, with various operating procedures you can experience quite an increase in terms of the realization. This has been true with most steel equipment put in around the world. I do not think they would lose a great deal of volume, measured off 1985.

Mr. Morin-Strom: Are you aware of their steelmaking configuration?

Mr. Miller: In general terms.

Mr. Morin-Strom: Are you aware that there is likely to be a very serious problem in supplying the cast balloons out of that antiquated number one shop, to be able to supply the three product lines it has to supply?

Mr. Miller: I am not in a position to second-guess their engineers. If they have concluded they can do it--

Mr. Morin-Strom: In other words, the mix between the two casters might not be the same balance. In a sense, there was a gamble that the market split between flat-rolled and the shaped products is identical to the potential capability they can get out of those two casters.

Mr. Miller: The problem of balancing a product mix against forecasts of steel markets is very difficult.

Mr. Morin-Strom: I do not know whether you have questioned or whether you are aware that the previous plans for the corporation had been to build a second caster on to the number two steelmaker, the big, modern steelmaker.

Mr. Miller: Yes, and shut down the number 1.

Mr. Morin-Strom: Not necessarily. It would be additional production if they need to be up at three million or 3.5 million tonnes, or whatever, at some point in the future.

Mr. Miller: It is unlikely in the absence of free trade. That is for sure.

Mr. Morin-Strom: Do you think they are making a correct move in trying to modernize or upgrade this old steelmaking shop instead of putting a modern caster on to their vacant steelmaking shop?

Mr. Miller: I personally think that if they had the funds to do so, they would have been better off putting in a second caster, shutting down the number one steelmaking shop and concentrating the production in the two large basic oxygen furnaces that they have, which, I believe, are 260-tonners, as opposed to the three, operating one of the 260-tonners and two of the three smaller ones, which is the normal practice. They might have spent the money on another combination caster in the number two shop, perhaps added a third basic oxygen furnace so they could operate the two BOFs in tandem, and maintain their volume that way.

Mr. Morin-Strom: Did you know that the number two shop has a capability of around 2.8 million tonnes?

Mr. Miller: Yes.

Mr. Morin-Strom: In fact, I think back to that record year of 1979 when they produced 3.5 million tonnes. Approximately 2.8 million tonnes came out of the number two shop.

Mr. Miller: If you say so. I cannot recall that specifically.

I think they reason they chose the other route was that it was a compromise. They did not have the money. They are going to run significant losses as it is, it appears. If they had the money, they might do the other. Whether the employment consequence of that alternative is better or worse, I would argue it is probably worse. They are trying to save cost not increase capacity, at least if they have any sense.

Mr. Morin-Strom: The problem may be they lose sales at the same time. They save costs, but they also lose revenues.

Mr. Miller: They may lose some in some area, but it may actually increase capacity in others. If they can ship two million tonnes, then I do not think, to me, as a financial analyst--I know a steel man will say the difference between two million tonnes and 2,063,000 tonnes is a lot--from our perspective, it is not that big a deal. It is far better to make a sufficient income on the two million than it is to have an insufficient income on 2,063,000.

Mr. Morin-Strom: Has the Amca International Ltd. holding, which is a major liquid holding of the corporation, been used properly? How would you advise the company to use that, or should it divest it?

Mr. Miller: It is currently not providing any cash income in that they have eliminated the common dividend. I do not believe Algoma holds any of the preferred shares. I think CP does. It is not providing what we call equity earnings; that is, they are not getting a share of the money, whether or not they get any cash. In fact, it has been causing some losses in the last year or so. While that may turn into a profit in the next few years, compared to the interest savings, if they were to sell their holdings at market value, for instance, they would raise some \$225 million. I believe the number is close to that. You just take your interest costs of, say, 12 per cent on that and you save something like \$30 million a year in interest. That is a substantial saving.

Mr. Morin-Strom: That would have had a significant impact on them even last year?

4:20 p.m.

Mr. Miller: Amca has traded as low as \$14, I believe, in the past year; so if you sell it at \$14, you do not save as much. They could have sold it at any time in the past several years if two conditions existed: one, if CP was willing to allow control of Amca to pass to the marketplace or, failing that, CP would buy it. They could always say: "We have our share of Amca in those two things, and it is not our problem. When we bought Algoma Steel in the first place, we expected to own our share of Algoma's holdings. That is what we paid for, and we do not want to pay for it twice." They could easily say that.

Mr. Wildman: Except the taxpayers assisted in a deal in which they ended up paying for a deal between CP and Algoma for the tube mill, did they not?

Mr. Miller: Yes. I was referring to when CP originally invested in Algoma Steel.

Mr. Wildman: CP was willing to manipulate in that way, for their benefit obviously.

Mr. Miller: For whose benefit?

Mr. Wildman: For CP's benefit and for Algoma's benefit.

Mr. Miller: It is quite a marginal benefit to CP. I also follow CP, and we have considered it a marginal negative because it does tie up and use up some of the capital cost allowance possibilities that they otherwise might have had in some other areas. It is mixed weather from CP's point of view.

Mr. Morin-Strom: I have one more question. What has been the major problem with Algoma Steel that has caused them to be much less competitive than Stelco or Dofasco?

Mr. Miller: It seems the secret to success in the steel industry is you must have extremely low-cost raw materials which is why, in the early history of the steel industry, you would locate your plants over the coal mine or over the iron mine; usually over the coal mine. You would locate them either over the raw materials or in the heart of your market.

Unfortunately, Algoma is the most removed of the major companies from the main market in southern Ontario. This is partly why it has chosen to

provide products that the other companies do not provide, in the hope that demand for those products would remain more or less normal and, therefore, they could supply from a more geographically remote and disadvantaged position. It is unfortunate that as a result of a combination of factors the construction industry, which is the industry they happened to choose to focus on in Canada, is no longer as strong as it used to be, particularly in oil and gas. It has fallen on these problems.

Should they have done otherwise? In retrospect they would have been better off, instead of spending more money on tube mills and that kind of thing, spending money on more cold rolling facilities and coating facilities. It is galvanized products, other coated products and automotive-type products that are doing well and wire rod mills in which the minis are making good inroads. Still, they should have done more in that area, in retrospect.

Mr. Wildman: I have here an article from the Financial Post dated April 26, and you are quoted. At that time you informed Bernard Simon, the writer, that Bunting had switched Algoma from sell to hold and you were guessing there likely was going to be a sale of Amca, which would cut Algoma's pre-tax interest costs by about \$2 a share.

Mr. Miller: Yes.

Mr. Wildman: Was it what you anticipated the company would do with Amca that led you to switch from sell to hold advice, or was it more than that?

Mr. Miller: I have gone back the other way, so I have to go back to just before and then bring it up to date.

Mr. Wildman: Now are you telling them to sell?

Mr. Miller: Yes.

Mr. Wildman: Perhaps you can explain.

Mr. Miller: The charts you have in front of you are our most recent forecast, which we have not yet published to our clients. The essential difference is that when you look at the pipe and tube industry, my previous forecast had pipe and tube shipments staying relatively flat. This was partly on the feeling that oil prices would average \$18 a year this year, and stabilize or improve next year.

Our oil and gas people have subsequently altered their view in terms of what are likely to hold this year and next year. As a consequence, I reduced my forecast. The impact of that on the financial picture, and so on, has led me to say that, notwithstanding the sale of Amca, Algoma's position will not improve during the next two years and will likely deteriorate.

Mr. Wildman: Your chart obviously shows pipe and tube continuing on a downslide right into 1987.

Mr. Miller: Yes, this is an index referencing 1982. As you know, you can skew an index, depending on your base year. In numbers, if we look at 1983, which was the true low for shipments to the pipe and tube industry, shipments were just over one million tons. They rose to just under 1.7 million tons last year. Basically, I feel that we are going to see an unwinding of that cyclical recovery during the next two years. By next year, we will be back to where we were in 1983.

Mr. Wildman: Therefore, we are on a continuing downward trend. Then the cycle you anticipate might go up after that.

Mr. Miller: Cycles usually do, even though you cannot see the reasons at either at their peak or their trough.

Mr. Wildman: However, we are on the way down. In other words, we have just come past a peak.

Mr. Miller: Yes.

Mr. Wildman: Even at the peak, Algoma was losing money.

Mr. Miller: I believe Algoma had a profitable quarter.

Mr. Wildman: Overall, they lost. They cut their losses substantially, but they still lost.

Mr. Miller: Yes.

Mr. Wildman: In your other chart, you predict a downward trend in capital goods and a flat line of durable goods. Can you explain this?

Mr. Miller: Yes, if you turn to page D, you will see in the upper right-hand corner, "rolling mill shipments by market." These are our forecasts. Essentially, this is what happened. Capital goods is an aggregation of a number of capital goods industries, including pipe and tube. It is the decline in that industry that is dragging down the total. As well, shipbuilding is having a very difficult time and we expect the expenditures by the railroad industry will probably not be as strong as we had previously forecast. Again, this is related to the fact that the resources sector has not participated in this economic recovery the same way that it has in the past and that we expected it to.

Mr. Wildman: That is what we are trying to convince the Legislature of right now.

Mr. Miller: What you picked up in that second chart on the front is basically the line, "capital goods industry," dropping from 4,141,000 tons down to 3.9 million tons in 1986 and 3,770,000 tons in 1987. Because our decline in pipe and tube is much stronger than that, we think other sectors, except for shipbuilding which is small, will continue to increase, though perhaps not as strong as before. Obviously, western Canada is going to have a difficult time.

Mr. Wildman: In that article in the Financial Post, you pointed out that Algoma "is paying the penalty for its heavy dependence on customers in capital goods industries, especially the energy sector."

Mr. Miller: I do not think I read the article.

Mr. Wildman: I have it right here.

Mr. Miller: No, it is quite all right; I am sure. I have been misquoted before.

Mr. Wildman: That happens to us, once in a while, too.

Mr. Miller: Yes.

The Acting Chairman (Mr. South): Sometimes we are happy for it.

Mr. Wildman: I would like to go back a bit and look at the history to get your comments. I notice that recently Algoma reported its first quarter at another loss. You indicated that its loss in the first quarter was about the same as the whole year last year?

Mr. Miller: Yes, pre-tax. It was before taxes and before the impact of Amca. I should specify that.

Mr. Wildman: This is the 16th consecutive quarter loss, is that right?

Mr. Miller: Yes.

4:30 p.m.

Mr. Wildman: In our discussion of the charts, you indicated that the seamless tube is not going to go anywhere but down. Therefore, the company shut down its tube mill. You do not see much in terms of structural shapes, do you?

Mr. Miller: For structurals, I do not see a great deal, but there is not a great deal of decline either. On page B, you will see our forecast of both "apparent demand," which takes into account import and export activity, and "mill shipments," which also takes them into account. We forecast structurals and rails will slightly increase.

I should point out that this table interacts with the tables on page D. We forecast our shipments by market. Then we look at what the product distribution to that market is. These are done with historical coefficients. That kicks out what the forecasted shipments are domestically by product. As a consequence of our individual market forecasts, we seem to have a slight increase being forecast for structurals and rails.

Mr. Wildman: What about plate?

Mr. Miller: Plate is declining because that is a fairly substantial pipe and tube market. I am also expecting that we will increase our exports in those products where Canadian demand has fallen.

Mr. Wildman: What do you anticipate in the auto industry? Since Algoma is not as closely tied to auto as the other two major industries, what effect do you think that might have on Algoma, whatever you expect to happen in auto?

Mr. Miller: We think automotive will stay relatively high and not experience substantial decline. As long as interest rates continue to trend down, the cost of buying a car drops, compared to people's disposable incomes, and they can finance it.

Mr. Morin-Strom: On your chart of importance for Algoma, would bars and wire rod not be nil rather than major?

Mr. Miller: Algoma produces a fair amount of bar products.

Mr. Morin-Strom: It once did. What do you classify as bar products?

Mr. Miller: Hot-rolled bars.

Mr. Morin-Strom: All they have is big structurals. The smallest bars would be big "I" beams.

Mr. Wildman: Algoma phased out the bars, did it not?

Mr. Miller: You may have caught me with an out-of-date table.

Mr. Wildman: You are anticipating continuing losses this year and increased losses in 1987.

Mr. Miller: For Algoma Steel, yes, in the absence of a sale of its holdings in Amca.

Mr. Wildman: What kind of a loss are you looking at? Is it in the neighbourhood of \$10 a share?

Mr. Miller: No, between \$3 and \$4 a share.

Mr. Wildman: We have had a lot of comments from two other analysts who were before our committee this week. I asked both of them this question, so I will ask you. Since Algoma Steel is so dependent on pipe and tube and on structurals and capital goods types of products, do you think one of the major reasons for Algoma's difficult situation right now is bad management?

Mr. Miller: As steel companies go, I do not think Algoma's management is particularly worse than, for example, that of Stelco or some of the American or European steel companies. Dofasco, of course, is always the one to which we seem to look. Even in the recession in 1982, it made a profit in the worst quarter.

Mr. Wildman: It was a small profit, but a profit.

Mr. Miller: It was very small but it was there. Algoma has not done as good a job as has Dofasco, which had the foresight to stay in the product line with which it started. Algoma had the misfortune to stay in the product lines with which it started.

Mr. Wildman: Not only to stay in it but to expand it.

Mr. Miller: Yes.

Mr. Wildman: That is a little more optimistic than some of the other views that were expressed about Algoma before the committee.

Mr. Miller: If I can editorialize on that, it is easy to kick somebody when they are down. As an example, I spent two years as an economist with the United Nations Economic Commission for Europe and worked on a couple of studies. I had to interact with civil servants from a variety of countries that were wrestling with the 1975-77 recession. It is never easy to forecast the future, as any analyst will tell you, so when decisions are made based on a forecast and it turns out to be wrong, one can look back and say you should not have made that decision.

Mr. Wildman: To be fair to the gentlemen who appeared before us,

they both indicated that back when the expansion in tubes was proposed by Algoma, both of them advised against it. They did admit to us that they were in a minority at the time.

Mr. Miller: At every cyclical peak, when I have had the opportunity to talk to senior people at Algoma, I have asked them about expanding out of the structurals. Their conclusion, after their investigation, was that they should stay in it. I share that feeling. Yes, they should have done it. However, they were doing better in every cyclical peak than in the previous cyclical peak, which was the same as the other companies were doing.

Mr. Wildman: I would like to get away from that for a moment. If they do sell the Amca shares and they realize something in the neighbourhood of \$200 million, where does that put the company's financial situation?

Mr. Miller: They will end 1987 with only \$100 million more in debt than they ended in 1985, rather than \$300 million more. However, they are already the most highly levered public steel company in Canada so they are not as badly off but are still in a very bad position.

Mr. Wildman: When and if the cycle starts on the way up in late 1987, Algoma will be in a more difficult position than the other two majors to take advantage of that situation.

Mr. Miller: Not if they have carried through with this program about which they have talked. While their financial position will be worse and the increased interest on \$100 million is approximately \$10 or \$12 million in addition to what they are paying now, which is approximately \$55 million, in any upturn, the most levered company and the one in the most difficult position usually experience the greatest percentage increase. Whether it will be enough to get them profitable depends on how good an economy we have in the next cycle.

You can actually get an idea of the problem that I talk about, the overwhelming problem in the steel industry, in the chart on page A under the heading "steel intensity." Steel intensity is a coefficient measuring the apparent steel demand in thousands of tons per billion dollar gross national product. I do not know how familiar people here are with steel intensity. I could discuss it very briefly as an introduction.

Mr. Wildman: I am not familiar with it at all. I always thought that steel was pretty intense.

4:40 p.m.

Mr. Miller: It is, as life itself can be at times. Steel intensity refers to a measure that the International Iron and Steel Institute did across all of the countries of the world for which it had steel statistics. It showed that developing countries, with a very low gross national product per capita, had a very strongly rising steel intensity use in the country because of the construction phase, etc.

Steel intensity would rise and then a country would experience a levelling out. Then, when it reached the mature phase where the construction requirements declined, where it became more service-oriented, the amount of steel used in the economy would gradually decline.

Up until the 1960s, Canada was arguably in a rising steel intensity period. Between the mid-1960s and mid-1970s it was in a level phase, and then beginning in the mid-1970s or early 1970s, you could demonstrate that it has been in a declining phase.

That argues that if the rate of decline is around two or three per cent per year, as it is in Canada, and the gross national product does not rise more than that, your steel demand will not rise at all because you are losing two to three per cent off that number each year. That is a function of capital investment, savings rates in the economy and all these things. My view on that is fairly negative. I do not see anything happening in the Canadian economy that will turn us into an investment showcase for the world. We are not going to do that; so I do not see steel intensity reversing its trend.

Mr. Wildman: We have had suggestions made to our committee that even in the auto industry there will be more and more shifting to plastics so that even in that area of the steel industry, this so-called steel intensity is going down.

Mr. Miller: Steel is being substituted for and it is also getting smarter, if you will, in its use. You need fewer tons of steel today to do the same work that you did 10 or 20 years ago.

Mr. Wildman: It was suggested to our committee this week--I suppose it was more of a political opinion than a financial or a steel marketing opinion--that there was a very good possibility that Algoma Steel might become a "ward of the federal and/or provincial government," somewhat along the lines of the Sydney Steel Corp. and that if that happened, it would hurt Stelco and Dofasco. How do you feel about that?

Mr. Miller: It probably would. The tendency of any subsidized company is that the subsidizer wants the level of subsidy minimized, so it operates at the cost level. There might be some inefficiency built into it, which a more efficient producer might not have to experience. Therefore, it may indeed have a lower cost structure and be able to operate profitably even so. Whether the level of profit will be sufficient to finance that company in the long run as a permanent feature is a debatable issue. We have to be very careful about allowing subsidized industries to compete.

Mr. Wildman: It has been suggested in the past that the government's relationship with Sysco was harmful to Algoma.

Mr. Miller: I think that is true. Sysco should probably have been closed years ago.

Mr. Wildman: With regard to management--what reminded me of it was a possibility of lower prices in that type of a scenario--do you think it was a wise move a couple of years ago when Algoma attempted to discount product such as hot-rolled sheets?

Mr. Miller: If you cannot get the volume at the price you are charging, you try to reduce your price to get it. Because Dofasco and Stelco were so close to the markets, they were getting most of the orders. This just-in-time tendency that we are seeing among manufacturers to shift the inventory burden back to the producer rather than carry it themselves puts a remote supplier at a great disadvantage unless he has an intermediary. Maybe one of Algoma's investments should be a steel service centre to provide that function and compete in the market areas with the other producers.

Mr. Wildman: You mean southern Ontario. Did that not just result in the other two manufacturers matching price and, therefore, less revenue for Algoma Steel?

Mr. Miller: That is correct. Any producer is going to respond because there is no interest at Dofasco in allowing Algoma Steel to put its workers out of work, on short time or whatever.

Mr. Stevenson: I missed the presentations yesterday, so I did not benefit from some of the ideas that came out there. In your trade forecast, where do you see that trade coming from? Is there any future growth there that is going to be meaningful?

Mr. Miller: If demand is falling and you want to maintain your shipments, you must export. Unless your currency is at a level, which it was back in 1980 and 1982, that allows you to ship offshore, perhaps at a very low profit margin but better than doing nothing, then that is a possibility. Currently, that is extremely unlikely in that the only viable outlet of any significance is the US. We have a cost advantage over US producers of between \$50 to \$100 per ton. If you just analyze their financial results and compare them to the financial results of a Canadian company, that seems to be the difference.

Mr. Wildman: Our per unit cost is less.

Mr. Miller: Our per unit cost is less. Our price structure is also less but our per unit cost structure is less. This is why I have felt for some time that trade restrictions by the US on Canada in steel, these voluntary restraint agreements--quotas would have been worse--will be very negative for our industry because when our demand does decline, the only way we can ship is to ship to the US. That is why free trade would be a tremendous thing to have happen in this industry.

Mr. Wildman: We do not have voluntary quotas now though, do we?

Mr. Miller: No. In order to stay out of them, there is an ongoing pressure in the US among producers and some members of Congress to bring Canada in under because we do provide some 2.5 million tonnes of steel down there. That is a fairly substantial amount of steel.

Mr. Stevenson: Do you in your analysis take much consideration in changes in the value of the dollar? From time to time, a few analysts will be saying that the Canadian dollar is building a plateau from where it is going to strengthen and many others say it is going to be about where it is for a while. In your future predictions in this industry, what have you been using as the value of the dollar over the next five years?

Mr. Miller: If I could find a forecaster in foreign exchange who could do a good job at it, I would listen to him very carefully. In his absence, I assume that the current market is going to be in existence for some time and I do not make any foreign exchange assumptions. I take the price of the day and that is what I think it will be.

Mr. Stevenson: I also believe I saw a report somewhere within the last six months or so that a company or companies had developed some sort of plastic lining for pipelines, if I remember correctly, to lengthen the life of new construction and also to be inserted retrofit in existing lines to solve some problems of deterioration that there might be. Is that sort of thing in

place and if so do you see that having much effect on future sales of pipe for building or rebuilding of existing pipelines?

4:50 p.m.

Mr. Miller: I must confess I am not very knowledgeable in this area. The market for the replacement of pipe is very limited in Canada, partly because our pipelines are relatively new. We expanded the third or fourth line of both Interprovincial Pipe Line Ltd. and TransCanada Pipelines Ltd. in the 1970s. They are less than 10 years old. My recollection is that those pipelines were designed for 40 or 50 years of use, so the necessity to replace them has never been a factor in my thinking on this industry.

Maybe 50 years is too long; maybe the life is more like 20 or 30 years. If it is 30 years, that still only takes us back hardly to the beginning of our pipe oil and gas industry. It would prolong it. It would cut the demand. However, I think this application, particularly retrofitting, would be more for lined pipe, because you have to run a thing through the pipe and apply the process. It would probably affect Interprovincial Steel and Pipe Corp. and Stelco more than it would Algoma Steel.

Mr. Stevenson: Are you familiar with that process?

Mr. Miller: Not that specific one. I have seen these interior coating machines advertised or talked about in places such as Oilweek and Oil and Gas Engineer.

Mr. Stevenson: Then it seems feasible. Is it reality or is it somebody dreaming that this in fact could be done?

Mr. Miller: Let us take the most difficult one, an oil pipeline. You have to stop pumping the oil, clean it and then prepare the surface so that this material will adhere to it. I believe it is a film that unwinds and adheres to the inside of the pipe, probably Teflon or something of that nature. Technically, it is feasible. It is an extremely difficult thing to do.

Mr. Stevenson: That is all I have to ask.

Mr. Chairman: Are there any other members who wish to comment or question while Mr. Miller is here? If not, we thank you very much for your presentation to the committee.

Mr. Miller: Thank you very much.

BUDGET

Mr. Chairman: The clerk is distributing something. It is the budget, and we need the approval of the committee. Because it is terribly unpredictable and I do not like running back to the Board of Internal Economy every time the committee decides to do something, we are going to do a provisional budget now that would include only the trip to Sault Ste. Marie and Wawa, which you will see at the bottom half of the second page. On the following page, you will see a total of \$10,221. That is the estimated cost.

Mr. Wildman: Can I ask a question?

Mr. Chairman: Yes.

Mr. Wildman: This is probably a very stupid question, but do the members get per diems when the House is in session?

Mr. Chairman: Not if you are at Queen's Park.

Mr. Wildman: However, you do if you are outside. I was not aware.

Mr. Chairman: As a matter of fact, I had to be corrected on that myself. I did not know until a few minutes ago that was the case.

Are there any comments on the budget? What we are looking for is approval only for the trip to Sault Ste. Marie and Wawa, and then Mr. Decker is going to do a proper budget. I was not happy with the numbers here, in case we end up sitting in September and again in January. Who knows? I do not know what is going to be referred to this committee, none of us do at this point, so I would rather beef it up a bit. If we do not use it, it goes back into the fund anyway.

Mr. Wildman moves that the committee approve the proposed budget for the trip to Sault Ste. Marie and Wawa of \$10,221.

Motion agreed to.

Mr. Chairman: That can be sent off to the board for approval. They approved all the travel and so forth to Sault Ste. Marie.

Interjection: Does this go to the Speaker now?

Mr. Chairman: Yes. This goes to the Speaker for interim approval, because the board will not be meeting before we go to the Sault. Are there any other questions? If not, assuming that members will be around on Tuesday, they will get their tickets and all that kind of thing. On Wednesday morning, according to the schedule, we head for Sault Ste. Marie and Wawa.

Mr. Wildman: I have one question. Is meterage the metric term for mileage?

Mr. Chairman: Metrage, yes. That is it.

Mr. Wildman: Metrage.

Mr. Chairman: On that note, we will adjourn.

The committee adjourned at 4:55 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

MONDAY, MAY 26, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Morin-Ström, K. (Sault Ste. Marie NDP) for Mr. Ramsay

Wildman, B. (Algoma NDP) for Mr. Hayes

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Northern Development and Mines:

Tough, G., Deputy Minister

Aiken, H. J., Assistant Deputy Minister, Northeastern Region

From the Ministry of Industry, Trade and Development:

Lavelle, P. J., Deputy Minister

From the Ministry of the Environment:

McLeod, R. M., Deputy Minister

From the Ministry of Labour:

Shardlow, H., Director, Plant Closure Review and Employment Adjustment Branch

From the Ministry of Industry, Trade and Development:

Girvin, J. D., Assistant Deputy Minister, Industry

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, May 26, 1986

The committee met at 4:03 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

Mr. Chairman: We will come to order. The committee members will remember that we went to Sault Ste. Marie and Wawa last week. No matter what group we talked to, people kept referring to this committee of eminent persons, sometimes known as deputy ministers and others, who have been up there and have made all sorts of extravagant promises to those communities.

We thought it appropriate that we ask those eminent persons to come before the committee to have a chat with us because we are charged with making some recommendations on what we think could and should be done about the problems in Wawa and the Sault.

I will ask those people--I know there are more than four of them--to take positions here at the table. Do you have a spokesperson or is this a collective?

Mr. Tough: I was asked to act as chairman of the group when we were up north. I assume I will be allowed to continue.

Mr. Chairman: All right. Mr. Tough is the Deputy Minister for Northern Development and Mines. Can you bring the committee up to date on exactly what you did when you were up there and what some of the feelings were when you came back to Toronto to deliberate on what you had seen and heard?

Mr. Tough: A number of us went to Sault Ste. Marie and Wawa on the evening of May 5, returning on the evening of May 7. We spent a day in Sault Ste. Marie at the Algoma Steel plant. We toured the plant and had discussions, along with our minister, with the senior officials of the organizations. We were led around the various parts of the steel mill, including the tube mill, and we then went back and had a discussion about where things were.

Our purpose in those discussions was to see whether anything might be available to us which would be more categorical, more informative than the material which had been contained in that glossy brochure that was made available to you when you were up there. We also spent some time with municipal officials and with the representatives of the steelworkers. Mr. Gerard chaired a meeting in Sault Ste. Marie along with Dennis Abernot and a group of his union officials.

We then went on to Wawa and spent an evening and part of the next day with the iron ore division, Mike Jennings and Tillio Berdusco and his staff, had lunch with the members of the local union and spent a short time with council members from the municipality and with Jean-Paul Dubreuil, who is connected with the forest industry there.

In general, our purpose was to get as many facts and perceptions as we could from the people up there. They had had relatively short notice of the company's actions, but I had been up there with the minister the week before

and we had some sense that a little bit more might be available to us if we were to visit on May 6 and 7.

The purpose of the visit was to find out as much as we could and to come back and report to our respective ministers to provide them with a better basis for responding to the situation and for having further discussions with the company, the union officials and the federal government.

That is a brief outline of why we were up there. I am at your disposal, if you want to find out more about the discussions. Collectively, we could give you some perceptions, which I believe most of you would share.

In the case of the Sault Ste. Marie works, it seemed inevitable that there would have to be some major restructuring of that plant. That is quite outside the question of the tube mill and the new pipe mill. It seemed quite evident that if they were going to remain competitive, they would have to make changes in their steelmaking processes. I am sure the Deputy Minister of Industry, Trade and Technology could speak to that, if you thought it would be useful.

4:10 p.m.

The company was quite convinced that the reductions in the work force were essential and would be a consequence of that change in technology. They felt that was essential if they were going to stay in business. I have seen some of the material and I have had a report on some of the material that the municipality discussed with your committee. The gist of the discussions with municipal representatives was very much along the lines of your discussions.

There seemed to be quite a sense in the community that whatever doubt there had been about the need to diversify the economy in Sault Ste. Marie, that was pretty well erased. There was a recognition that there was a heavy responsibility on the local officials to come forward with proposals in the expectation that we would be receptive to them.

We had already signalled that we were waiting for proposals from them the day that I met with Mayor Fratesi, the day of the announcements in Algoma earlier. We got from that meeting a number of ideas that the municipality was working on, a number of good suggestions for some common efforts and assistance on our part.

In the case of the union discussions, the main perception we got out of that meeting was that communications between the workers and management had not been particularly productive or close. One of the perceptions, as I think the Ministry of Labour would agree, is that the union was deeply concerned about the process by which the changes had been arrived at and was determined, whatever happened, that the process would have to be improved if the company was to proceed with its plans in an orderly way.

The union also made very clear to us its determination to proceed with the consultancy it may have mentioned to you. It asked us if we would be supportive of its efforts to secure the company's agreement to that review. We said that we would and we did. Although I do not think we are quite up to date--I do not know whether Mr. Lavelle is quite up to date--my understanding is that there have been discussions between the company and union about that consultancy.

In the Wawa section of the visit, we toured the underground mine

workings at the iron ore division. We are quite impressed with the efficiency of the operation. It is no surprise that is the last underground iron ore mine in North America. They have done a very fine job of effecting economies; as most of you know, they did reduce their work force over time in the last few years. They have cut down to a very great extent at present, and it is a very efficient operation.

There have been a lot of discussion about a number of options that might be pursued in connection with that operation, ranging from, as I recollect, staying where they are about now, which is about 1.4 million tonnes a year, to an orderly shutdown. It became evident, in the course of the discussions we were having, that remaining where they were was quite impractical for a number of technical and economic reasons. The two options that seemed to be on the table, in reality, were cutting down to 900,000 tonnes or phasing out.

We also had an extended discussion with Mr. Stan Black the vice-president, rail, of the Algoma Central Railway and a number of his officials about their dilemma. They are being asked by the iron ore division to reduce their tariffs on shipments while, at the same time, accepting a fairly substantial reduction in tonnage shipments.

They recognize that a very substantial part of rail revenues--I think the numbers are something like 45 per cent of their revenues and 60 per cent of their tonnage--come from the operation. They were quite emphatic in discussions with us that they did not see how they could reduce their rates. Similarly, the company recognizes how difficult it would be for ACR to reduce its rates but emphasizes, at the same time, that they would have to come down if the operation were to persist.

We got a fairly strong perception at Wawa that the management of the operation wished to see it continue. They had to have significant concessions from everyone involved but they thought the range of concessions was within reasonable bounds. They thought it was not impractical to seek those concessions. In any event, they had to have major concessions, and even that would not prevent the layoff of about 175 people. As we understand it, a lot of the layoffs would be in the two sintering plants which would be closed down. They would shut down two of the three in the event of a reduction in shipments.

We pursued with the company a number of options which others had mentioned might reduce their transportation costs. For example, we talked briefly about the notion of reverting to water shipment for the sinter. I think your committee was also reminded that the product deteriorates with handling and it would be quite difficult to handle it more than they do now.

We talked to the municipal representatives and to Mr. Dubreuil. I believe you were given a piece of paper by Mr. Dubreuil, the gist of which was conveyed to us.

Mr. Chairman, I am in your hands. Are there other questions of me or others?

Mr. Chairman: Thank you, Mr. Tough. Before I throw it open, I had a couple of short questions myself. Was this committee of deputy ministers and directors struck only for the purpose of looking at Sault Ste. Marie and Wawa?

Mr. Tough: We are a group of deputies who are drawn from the deputy side of the cabinet committee on northern development, with no exceptions now.

we anticipate we, and an expanded group, will have an ongoing role in the case of the Sault Ste. Marie situation and the Wawa situation and any others that may come along.

Mr. Chairman: You have not been asked to look at the Kimberly-Clark cutback at Terrace Bay?

Mr. Tough: As a group we have not been asked to do that. As you may know, several of us, including my minister and me, accompanied on that visit by Mr. Pouliot, went to see the management at Terrace Bay. We were assured by them that they would keep in close touch with us. To the extent that they saw, or we saw, any role for government in sorting out that situation, they would let us know very quickly.

Mr. Chairman: When you investigate a problem such as the Sault Ste. Marie/Wawa one, do you each make your report to your minister?

Mr. Tough: I cannot speak for my fellow deputies, but I am very sure they all reported quickly to their own ministers. I reported immediately to my minister. The next morning I reported to the Premier (Mr. Peterson) on the general outline of what we had seen and done up there.

Mr. Chairman: I guess what I am trying to get at is--

Mr. Tough: Excuse me, Mr. McLeod reminds me that in addition we had a meeting of the complete committee of deputies on the cabinet committee on northern development to which we made that report as part of the brief.

Mr. Chairman: I see. That is where it all comes together then?

Mr. Tough: Yes.

Mr. Chairman: The only other question I had is more technical. It has to do with shipping costs. Was it your understanding, when they were talking about how it is cheaper to ship ore from Labrador to the Sault than from Wawa to the Sault, that it is not only the shipping costs but also the costs of extracting the ore?

Mr. Tough: The argument they made to us was that both the mining costs and the shipping costs are lower. You are dealing with unit train--Mr. Lavelle probably knows more about this than I do--shipments in Labrador and then you are on the water, so you can bring that in quite cheaply.

4:20 p.m.

The operations at the iron ore division get much more from the Algoma Central Railway than a transportation service. Algoma Central performs for that company a moving inventory system, where the whole system is geared to making sure there is not a huge pile of inventory down at the Sault Ste. Marie end which would pretty quickly deteriorate in the environment.

There is no unit train operation there. It is a very inefficient system, because it was designed for larger volumes than it is carrying. The company in 1979, I believe, acquired additional cars to serve a market which it then perceived. It still has those cars on its hands, and they are still part of its overhead costs. So you have a relatively high-cost operation and, as you know as well, the cost of that operation is spread over essentially one industrial customer plus some smaller shipments. The passenger line contributes essentially nothing.

Mr. Wildman: I do not want to go off on a tangent, but in that regard did Mr. Berdusco or Mr. Jennings make clear to you that they were using the figures on the Labrador ores for comparison purposes only and that they considered themselves captive to Tilden, near Marquette, Michigan, and to Wawa as their source of ore?

Mr. Tough: They made a number of points. First of all, they emphasized that if the option were open to them, they could access the Wabush pellets at a much lower price. I do not know whether--

Mr. Wildman: I asked that question because we asked them the same thing, and Mr. Berdusco was quite emphatic that they were using those figures--I believe it was \$68.50, as compared with \$90 for Wawa and \$95 for Tilden--for comparison only; they do not intend to purchase ore from Labrador, because they have to take ore from Tilden, even if they were to shut down in Wawa.

Mr. Tough: Yes, they have an arrangement through their joint venture at the Tilden mine where they will have to make fairly substantial financial payments even if they take no ore. There is no question about that.

They did make the point, which I think is your point, that they would not demand that the costs of the ore delivered from their two mines be reduced to the level of the Labrador mine--

Mr. Wildman: Yes, that is the point. They said they were looking at a reduction of \$4 or \$5 per ton, or something like that.

Mr. Morin-Strom: I am pleased to see representatives of the four ministries participating here today.

In terms of the meeting you had in the Sault, what community groups or organizations did you meet with besides the folks from the steel plant, the iron ore division and so on?

Mr. Tough: Mr. Aiken may be able to help me. We met at noon in Sault Ste. Marie with the council and representatives of the chamber.

Mr. Aiken: We met with Algoma Steel at noon. In the afternoon there was a meeting at the city hall with the members of the city council and the mayor, a representative of the Sault Ste. Marie Economic Development Corp., which is in the process of being established--I am not sure whether they have their patent yet--

Mr. Chairman: I am sorry, Mr. Aiken, if you are going to speak, you will have to use the microphone or Hansard simply will not pick you up.

Mr. Aiken: At noon we met with officials of Algoma Steel. Following that, we had a meeting at the city hall, where there were members of council; a representative of the economic development corporation, which is in the process of being established; a spokesman for the chamber of commerce, Helen Gillespie; and some city staff. Those were the only representatives at that meeting. We left there and met with, as Mr. Tough has said, Stan Black and some of his officials before going on to Wawa to meet with the mine management that night.

Mr. Morin-Strom: I would think that during those presentations you heard a number of submissions in terms of what people or groups in the community are advocating to cushion the blow.

Mr. Tough: Yes.

Mr. Morin-Strom: In your introductory presentation you focused primarily on Algoma Steel and the Algoma Ore division and what is going on in the steel industry. We recognize that the problem is much more severe than just the steel industry, because the community is so dependent on the steel industry; it ramifies into the rest of the whole area's economy. Many of the solutions may have to be looked at outside the steel industry in terms of alternative job creation.

Can you comment on some of the recommendations made to you? At this time, what recommendations have you been making to cabinet and to the Premier?

Mr. Tough: The first part is a little easier to answer than the second. I am sure you can understand why.

We spent some time with council going through a list of proposals. Essentially, I think you have the same document, oriented to a certain extent towards tourism development, with a thrust towards diversification and new industry development. I believe that at that meeting they also talked about, and supported fairly strongly, the notion of locating an additional number of provincial public servants in the Sault as well.

Mr. Chairman: Did that surprise you?

Mr. Tough: We were already there, sir.

At another meeting we had with Mayor Joseph Fratesi, he mentioned that he would be looking for some assistance from us in connection with the deep water harbour they have been dealing with for some time. At that time, they were seeking support from the federal Minister of Transport. We indicated that we were generally supportive of that, and hoped that the federal government would be as well.

We discussed a certain number of specific tourist initiatives. I believe they mentioned some ski hill development. There seems to be a strong sense that there is considerable potential for ski hill development in the area north of Sault Ste. Marie. Again, Mr. Fontaine had been there a week earlier, and expressed some support. In fact, he had some discussion with particular groups promoting one or more of the three proposed areas north of the Sault.

In regard to the second part of your question, as I say, we reported back to our ministries. Our orders are to develop a response, not only to the propositions put to us when we were in Sault Ste. Marie and Wawa, and other centres in the north, but to see what we could come up with in terms of a response to the general industrial restructuring going on up there, and to the situations that apply to particular communities.

I am not at liberty to say, in any detail, what we are talking about. It would not be proper for me to do this. If Mr. Fontaine wanted to say more about it, I am sure he would be quite close at hand.

Mr. Morin-Strom: In your response, you brought up the issue of the federal government. Within the last two weeks, it announced that Sault Ste. Marie will be an eligible city under the community futures program.

On the weekend, Mr. Kellener, the federal Minister for International

Trade, was on television. Did you see him on TV in the Sault? He said the federal government had come up with \$7.5 million for Sault Ste. Marie, with no strings attached. It was now up to the province; the ball was in the province's court. Mr. Tough, what is your response?

4:30 p.m.

Mr. Tough: Our response is to say, "Watch this space." We think we are developing some ideas in consultation with the community. The community was especially emphatic that it had a lot of work to do, developing alternatives, and so on, and it would look to us for support. We hope it will also be looking to us for some ideas and propositions to put before it. But judging from our continuing discussions with Mayor Fratesi and others who are involved in the communities up there, it is the case that they are content we have received their message. They are content that we have a commitment on the part of our ministers. It certainly has been conveyed to them that we are looking hard at initiatives to pursue, not only for those communities in particular, but in a broader context.

For example, there are some mineral prospects very close to Wawa. If we had been given more notice or had been aware of the impending changes there, we might have been quicker off the mark some time ago to see what we could do to accelerate some of those mining projects.

We have propositions before us now to summon a couple of companies to provide some assistance for them to bring forward their property, or to facilitate the construction of their projects. We think those are some areas where we could be fairly quick to respond and get some action, perhaps not in time to fully offset immediately the impact of the closures there, but to provide an extended base for the community.

Mr. Wildman: In that regard, I was speaking a moment ago to Mr. Tieman. We have had some ongoing discussion with regard to a proposal by Citadel Gold Mines Inc. that had incorporated for a custom mill which would process gold ores in the area. I understand it made an application under the northern Ontario regional development program. This was one of the proposals that was supported strongly by the township when we were there and, I am sure, when you were there as well. Are you suggesting that there may be faster action than there has been in the past on that proposal?

Mr. Tough: I cannot promise anything more than that we are meeting with them tomorrow afternoon. Mr. McBean and Mr. Campbell Todd are coming in to see me, along with Mr. Tieman, tomorrow at 3:30 p.m. We do not know as much as we would like to know about that project, but it is a very tempting idea to think that instead of having to construct a custom mill in the neighbourhood, you have a mill there on the Citadel Gold property. The mine is now inactive but there is a belief, on the part of the company's sponsors, that it might be reactivated. Even if it is not reactivated as a mine and a mill the potential seems to be there, although we will obviously have to pursue this technically, to see what we can do to assist that operation to reactivate the mill.

As you know, there are quite a number of small gold-mining operations in the area, none of which look as though they would support a mill on each property. The obvious answer, to a layman, is to see what we can do to facilitate getting the Citadel mill. You can see that right from the town, so it is natural to see what we can do to bring that forward. That is one of the earliest things we would want to look at.

Mr. Morin-Strom: Coming back to the recommendations from the community, perhaps we could go into some of them. One of them was made quite specifically by the chamber of commerce. It had to do with the relocation of government jobs--government offices--as you mentioned. They went into some specifics about recommendations. One of them would be that in areas related to the ministries of Natural Resources and Northern Development and Mines it does not make any sense, to northerners, to have those offices in Toronto. Logically, those offices should be in the north and Sault Ste. Marie should be in line for some of them. They were not asking that every office go to the Sault, but the north should benefit from office relocation from Toronto. Mr. Fontaine has also said he is committed to moving 1,000 jobs to the north, which must be in your ministry somewhere.

Mr. Tough: We do not have that many.

Mr. Wildman: He was talking about the government not just about your ministry.

Mr. Morin-Strom: Undoubtedly he was underestimating the potential.

There are recommendations outside the ministries of Natural Resources and Northern Development and Mines in the area of health care. We have a couple of proposals. One is for a new hospital facility to replace an ageing Plummer hospital. There is also a need for health care education and a recommendation that a program for such specialities as physiotherapists, speech therapists and perhaps audiologists be moved to a college in northern Ontario, since there is insufficient training for these occupations all across the province. The north in particular has a problem attracting candidates who have completed such programs for jobs in the north. That was a suggestion in health care.

Another suggestion was in education. The chamber of commerce described in some detail the situation facing Algoma College, which is not nearly meeting the needs of the numbers of students of the community in Sault Ste. Marie who could be going to even basic arts and sciences or commerce programs, let alone trying to attract students from elsewhere.

We pointed out the example of Lake Superior State College where the state of Michigan sponsored and supported a school out of proportion to the population of that community. It provided a major economic base for that community. Most people in the Sault view the expansion of Algoma College as a high priority and there is a five-year plan to double the size of that school, for which they are trying to get ministry support.

In these specific areas of education, health, natural resources and northern development, could you tell us what is your response to their recommendations?

Mr. Tough: There are several parts to the response. Correct me if I am wrong, but not all those propositions were put to us and we wanted to get further details on a number of them. The Plummer Memorial Public Hospital was, as you say, mentioned as a possible project to solve some of the problems of ageing facilities. We were surprised to hear the timetable they were thinking of. We were told by the municipal representatives they were thinking of a 10-year horizon.

Mr. Wildman: That is because the Ministry of Health says they have to wait 10 years.

Mr. Tough: They need to raise a lot of money. We commented to the mayor and his officials that we would be receptive to looking with them at their schedule for the hospital construction to see whether it might be brought forward and the implications of that.

Mr. Morin-Strom: I thought the horizon on that one was five or six years for start-up and then a three-year period to get the thing completed, which brings it to about nine years. That is what people are talking about now.

4:40 p.m.

Mr. Tough: With respect to the other ones, we said in the past and say again today that we have taken them all away and their respective ministries are looking at the propositions, including the question of relocation to northern centres.

Mr. Morin-Strom: Have any representatives of the ministries of Health and Colleges and Universities, in particular, visited the Sault area to meet with people in the health care professions and the education field?

Mr. Tough: Not as part of this round. The Minister of Colleges and Universities (Mr. Sorbara) was in the Sault some time ago, at which point he made an announcement about the situation at Algoma College. He affirmed the commitment to maintain the financing of that college which, as you know, had been in some financial difficulty. He also indicated a commitment to examine the role of Algoma College within the framework of the whole northern universities and colleges situation to see what kind of a role might be more appropriate for that college. We could get you the piece of paper from which he drew his remarks if you are not fully aware of them.

As you say, the University of Michigan is attracting students not only from Michigan but also quite a number from Sault Ste. Marie, Ontario.

Mr. Morin-Strom: It is not the University of Michigan; it is Lake Superior State College.

Mr. Tough: I am sorry. Lake Superior State College is quite right. It is apparently offering good courses and also offering the same tuition as is available to residents of the state. That is providing some fairly hot competition for students who wish to get their education in the local area.

Mr. Wildman: It is basically because they see it as a job-creation process as well as an educational institution.

Mr. Morin-Strom: I do not particularly think Lake Superior is competition for Algoma College; it is competition for the southern Ontario schools because of the high cost of accommodation. Going to university out of town is very expensive for people who have to move to southern Ontario for the school year.

As far as these recommendations in particular are concerned, when could the community expect to get a response on these proposals?

Mr. Tough: All I can say is as soon as it is possible. Mr. Tieman and I were up in Wawa talking to our resident geologist the week before last and, in the areas where we have responsibility, we will have to get at some of those propositions in stages by talking to the particular companies. All I know is that we have been told to develop our responses as quickly as possible.

Mr. Wildman: Mr. Kelleher's ball is headed over the net.

Mr. Morin-Strom: Who is representing the tourism area?

Mr. Tough: I beg your pardon?

Mr. Morin-Strom: Was there someone from the Ministry of Tourism and Recreation?

Mr. Tough: No, there was no one on our trip from that ministry. As you may know, we in our ministry had been working with that city and others on tourism development projects. We thought it would be sufficient on that fact-finding trip, which I would differentiate from the broad response group, to find out their propositions and transmit them to the responsible ministry.

Mr. Chairman: The tourism ministry is represented on the cabinet committee, though?

Mr. Tough: Yes.

Mr. Wildman: The Minister of Tourism and Recreation (Mr. Eakins) was in the Sault about the same time.

Mr. Tough: Yes, he was. As a matter of fact, that was about the time he was having his round table conference in Sault Ste. Marie.

Mr. Morin-Strom: Who makes the recommendations or decisions to support the various tourism proposals that have been made to you? Is it your ministry or is it the Ministry of Tourism and Recreation?

Mr. Tough: We will have some ideas to put forward based on what we believe to be our knowledge of the communities, but the responsible ministry is the Ministry of Tourism and Recreation. Mr. Eakins is very much interested in the possibilities for northern tourism. He made that plain during his round table discussions in the Sault and other places.

We will be looking to that ministry to respond to the community's proposals in consultation with us; I believe we have some value added here. At the same time, it should be developing responses of its own accord.

Mr. Pierce: Mr. Tough, with respect to the ministry's representatives, it is fairly obvious that the Minister of Natural Resources (Mr. Kerrio) is not involved in the discussions. Some of the presenters we heard, particularly in Wawa, were very critical of the role that the Ministry of Natural Resources had played and was playing in the forest industry sector in the Wawa area--almost to the extent of curtailing further development in the woods industry.

Is there a reason why somebody from Natural Resources is not involved in this group today?

Mr. Tough: No, there is no particular reason.

Remember what we were asked to do. As a very first reaction to the Algoma Steel and iron ore division layoffs, we were asked to put together a group that would be most directly associated with the steel and mining operations, and, in the case of the Ministry of the Environment, would have an interest in the situation, in Wawa in particular. Our first job was to go and

talk to the steel people, their unions and the relevant municipalities. We put together a group that seemed most logical in composition for that sort of thing.

It is not the last trip the deputies will make to the north, nor to Sault Ste. Marie and Wawa. We learned some things on that trip. As you say, there were representations made at Wawa that one or two ministries could be more aggressive in seeking out investment opportunities in the north. We brought that message back, and that obviously affects our ministry and a number of other ministries.

It is fair to say that, during the course of those two days, we heard issues that touched the total spectrum of the ministries involved. I believe we had a good sampling there of the ministries.

Mr. Morin-Strom: I have one final question to Mr. Lavelle on one of my pet subjects, I suppose: the technology initiative, the \$100-million commitment of new money this year to support technology in the province.

The north is an area which needs technology to support the development of new industry, especially industry that makes sense for the north; industry related to the forestry and mining sectors in terms of secondary product generation, and the development of more finished and higher-value added products right in the north.

What assurances do we have, and what action are you taking to see, that a large portion of that technology initiative goes to northern Ontario and will be used to encourage secondary industry in northern Ontario?

Mr. Lavelle: I wish I were in a position to give you some assurances that a large portion of it will go to northern Ontario. The statement was made by the Minister of Industry, Trade and Technology (Mr. O'Neil) in the Legislature that when the Premier's council was established, he would press upon it the requirement to look very seriously at funding for the north under the aegis of the council. As you are aware, the council has not yet been put in place, so it would be difficult to prejudge precisely how it is going to operate until we know more clearly.

5:50 p.m.

If I may, I want to respond to a couple of other points raised relative to the north, and to talk about the technology side for just a minute afterwards.

With regard to the Ministry of Industry, Trade and Technology, we have been looking at this issue in three ways: first, the trade issue, which has been a very major issue with us and a preoccupation of the government for some time; second, the economic future of Sault Ste. Marie and its surrounding areas; and, third, the assessment of the kinds of services our ministry delivers in northern Ontario. I believe we have made some progress in all those areas, and I will briefly touch on them.

First, the trade issue: In Mr. Kelleher's statement last night he announced certain measures that would monitor steel imports and have some impact on the ability of foreign producers to export steel pipe into Ontario. We have these measures in conjunction with the steel industry and the unions and have been making them known in Ottawa for some time. I have here a letter, which I will not read, dated April 28, from the Premier of Ontario to the

Prime Minister in which he urged precisely the kind of action Mr. Kelleher announced in his speech last night.

The effort to try and move on the trade issue has had all-party support and labour, management and government have been deeply involved since day one. It is safe to say we welcome the moves announced by Mr. Kelleher and will be watching very carefully what comes out of them.

As you are aware from our discussions, we have had many meetings with Algoma Steel prior to the major announcement made several weeks ago in an effort to see what we could do to assist the company meet some of the problems it faced in the market. The company gave the impression it was restructuring which would have considerable impact on the community. At that point, we looked at what arrangements we could make in the community to assist in the development of alternative jobs or creating new ones.

One proposal is to try taking the experience generated in the technology centres and transfer it to northern Ontario, to Sault Ste. Marie in particular, in the hope that it can be made available to the people there who are anxious to get it. We have not confirmed how this will be done, but we are seriously looking at involving the technology centre in Sudbury. This is preliminary at the moment and need more thought as to how effectively it can be done.

We have looked at other programs we provide in small business and entrepreneurship to see whether we can put together some programs that would be helpful in encouraging people in the north to accelerate the expansion and creation of jobs through small business. Many new jobs have been created in that sector already, but programs are in effect that can be more helpful and are in line with those announced by Mr. Kelleher from the federal side.

With respect to Mr. Kelleher's announcement, we met with officials of his ministry during the past month. We said we would co-operate in any initiatives announced in Sault Ste. Marie by the federal government. We were not informed of the announcement when it was made some two weeks ago.

Mr. Wildman: Were you not informed?

Mr. Lavelle: We were not.

Mr. Morin-Strom: Have you received details of it to this point?

Mr. Lavelle: We have received copies of the press release issued by the federal government. We have now a complete list of what was announced but I am not aware that we have not had any further detailed information from Ottawa on those programs, unless they have gone to another ministry of the government.

Mr. Wildman: They might have gone to Labour.

Mr. Lavelle: The third point is the assessment of the ministry's activities in northern Ontario. What the Minister of Industry, Trade and Technology has already announced is that we will be expanding the Ontario Development Corp. offices in Sault Ste. Marie, or creating new offices in Sault Ste. Marie and Kenora. Those announcements have been made and we are proceeding with them.

As Mr. Tough has said, we are looking at a number of other things from a

ministerial point of view that we could do in Sault Ste. Marie, and in northern Ontario generally, and we have not come to any conclusions on those.

Mr. Chairman: Mr. Pierce, did you still have a question or did you get it answered?

Mr. Pierce: I got my supplementary.

Mr. Wildman: I have two sets of questions that I will ask. One deals with the immediate situation and the other with the proposals that were made during our visits, and your visit, for possibilities of diversification.

First, I will raise some things regarding the immediate situation. Perhaps, Mr. McLeod, you could make us aware of whether the company at any time during your meetings indicated a desire for a change in control orders.

Mr. McLeod: There are two parts to that. First, with respect to the situation in Wawa. When the negotiations were ongoing with Algoma last fall, prior to the government's announcement of the countdown acid rain program, it was made clear to us by Algoma officials that the maximum production out of Wawa that they were looking to, between now and 1994, was in the area of 1.7 million tonnes. It is currently at a level of between 1.2 million and 1.4 million in 1984, 1985, 1986, in that area.

The regulated level of 125 kilotonnes of SO_2 per year that they have been regulated to for 1994 was arrived at taking into significant account their maximum projected production of 1.7 million tonnes. That is not to say that on today's technology they could keep to a level of 125 kilotonnes and still produce at 1.7 million tonnes of sinter. Rather, based upon access by Algoma to the joint federal-provincial funding, totalling \$170 million, that both governments have announced for purposes of that acid rain control program, it was reasonable to expect, in our view, that even at 1.7 million tonnes of production, they would not have difficulty arriving at 125 as an emission level.

The result of that is that any suggestion today that they are either going to stay at 1.2 million to 1.4 million, or possibly go as low as 900,000, as opposed to expanding to 1.7 million, means that they will have no difficulty in meeting the 125 kilotonnes that they have been regulated to for 1994. The company officials, both in Wawa and earlier in our visit in Sault Ste. Marie, fully acknowledged that was the case.

Mr. Wildman: If I can interrupt for a second before you deal with the rest of the question. Company officials--Mr. Melville, Mr. Berdusco and so on--indicated to us that the 900,000, which is one option they are looking at for Wawa, was purely coincidental. It was not a decision predicated upon the fact that they could meet the control order without having to institute any new technology. Rather, it was a decision they made based on the market and the fact that it was related to the control order was coincidental. Do you have any reason to dispute that?

5 p.m.

Mr. McLeod: No, I do not. My understanding, based on what the company told us, was that the precise figure of 900,000 for Wawa was a function of the earlier Algoma Steel decision to go from 3.5 million tonnes of steel to 2.5 million on an annual basis, coupled with the metalurgy arising out of the combination of the sinter from Wawa and the other ore from Tilden.

It had nothing to do with the environmental controls. I can be fairly firm in answering that question because of the figures I gave you a moment ago. They have no need to get down anywhere near as low as 900,000 in order to meet the control figure we have put on them for 1994.

Mr. Wildman: Were you going to comment on the Sault steelworks?

Mr. McLeod: Briefly. Before going to that, however, the area that might have been of some concern was that the union in Wawa gave us the impression that it in turn had acquired the impression somewhere along the line that the reduction in ore production at Wawa was somehow related to environmental control.

Mr. Wildman: I think on-line supervision has been making that known to the work force.

Mr. McLeod: We went through the same exercise with them that I have taken your time with to explain those figures. When those figures were explained to them, it became quite clear to them that environmental controls in Wawa were not the governing factor.

The second item is with respect to the steel mill itself in Sault Ste. Marie. There were existing control orders. Prior to the company's production reduction announcement a short while ago, it had come to the Ministry of the Environment and had in effect asked for relief from requirements that it cut emissions locally in the plant area, particularly the coke oven area. It was denied relief with respect to certain parts of that control order, which require it to make some changes by the end of 1987. It was granted some relief in some aspects of it, and in the first part, where it did not get the relief, the agreement was that it would continue to negotiate with our local people at our regional office in Sudbury and our district office in Sault Ste. Marie.

These discussions are ongoing. We referred to them briefly in our meeting with the company, which Mr. Tough has mentioned. I can report that some progress is being made. I do not know exactly when we will have an amended control order, but I foresee we will have one that both the Ministry of the Environment and the company can be satisfied with.

Mr. Wildman: I would like to ask Mr. Lavelle to respond to comments made by Jamie Melville, the secretary of Algoma Steel Corp., and by a number of steel analysts who appeared before this committee prior to our visit up north. These dealt with steel intensity in our economy and indicated that steel intensity is dropping and will continue to drop. What does this mean, as far as you are concerned, for the Ontario steel industry in general and specifically for Algoma Steel?

Mr. Lavelle: That is a difficult question. I will try to respond. First, I was not one of those who was in Sault Ste. Marie. I am here on behalf of the assistant deputy minister, Mr. Redgrave, who is in Sault Ste. Marie today. He is not able to be here this afternoon. I have read some of the testimony on the steel industry by some of the analysts before the committee, and I do not concur. One gentleman, whose name escapes me at present--

Mr. Wildman: Probably J. M. Gordon.

Mr. Lavelle: Yes. I do not concur with all his points of view.

Mr. Wildman: I think you would be in a multitude.

Mr. Lavelle: There are difficulties faced by the steel industry. First, it has to adapt to new technology. Second, it has to respond to the fact that most of the markets in which steel is being traded are either highly dominated by government intervention or there is no free market. There is requirement in those markets to sometimes to export steel at prices well below market value. The situation in Canada, as you know better than I do, has certainly been racked by both phenomena.

The steel industry has had to adapt very quickly to the changing requirements. This is particularly true in the automotive sector, where the Canadian steel mills have not been successful in obtaining business from the Japanese companies, and even now, in some cases, from some of the North American producers. The requirement is for higher quality steel. Different kinds of processes have not been as rapidly introduced on the Canadian scene as they should have been. They now are being introduced. The technology question is a significant one.

The expectation of the automotive companies, which are the largest consumers of Canadian-made steel, is that there will be a drop in the total amount of steel used in a vehicle. A few years ago the expectation was that we would have reached that level by now. The projections for a decline in steel demand by the companies have not really materialized. There now is a very strong movement among the car companies to move into plastics and other high-strength materials, which may replace some of the steel demand within the industry.

Mr. Wildman: Is it not true that General Motors went from about 13 per cent to seven per cent?

Mr. Morin-Strom: From 13 million down to 7.5 million tons to build the same number of cars?

Mr. Lavelle: I am not sure. My impression is that the reduction has not yet been that great. I do not know the actual figures with respect to the General Motors situation, but one of the reasons this and previous governments have been encouraging the development of new assembly plants in Canada by the Japanese and others has been to facilitate and increase the demand for Canadian-produced steel.

I have no crystal ball with respect to the outcome, but other materials are on the scene and are being evolved that will have a big impact on the demand for steel.

Mr. Wildman: Algoma is not a large producer of auto parts steel. If there is a decline in the use of steel by the auto industry, how does that roll back to Algoma?

Mr. Lavelle: My impression of the situation with Algoma is that because it was deeply involved in providing steel to the energy industry, the cutback in exploration and other activities in that industry have had an impact. The figures I saw, and I do not have them in my head at the moment, indicate that the amount of foreign steel coming into the Canadian west has been very substantial. This is the issue Mr. Kelleher is trying to address and that we have been trying to address. Supplying the automotive industry is not Algoma's major business, but it has a significant amount of business that goes

to the General Motors facility in lower Michigan. Obviously, it will be impacted by that if there is a decline in demand there.

Mr. Wildman: The company has indicated that to change the technology and to change its process from ingots to continuous casting will cost about \$50 million. Also, it is estimated the changes at Algoma ore division would cost between \$1.5 million and \$2 million. Were there any discussions between your group and the company as to now it is going to find this money when it owes \$590 million?

Mr. Lavelle: In the discussions we have had with Algoma, there has been no discussion with respect to that aspect.

Mr. Wildman: My other question is for Mr. Shardlow. It was suggested to us by certain individuals from the unions that this whole announcement is an attempt by the companies to get concessions, but that they have a legal contract that runs until 1987. It was mentioned by Mr. Tough that the union has indicated that before discussing any changes, it wants to have a consultancy. The union has indeed hired a Canadian consultant and an American consultant. The American consultant, interestingly enough, is the one who did the analysis of the LTV Steel contracts, which the company specifically mentioned in its announcement.

5:10 p.m.

They told us the company has indicated since then that it would like a third consultant hired. The union has said, "If the company wants a third consultant, it can hire him." It is happy with the consultants it has. It has also said the company has indicated that before it will open the books, it wants a prior commitment that the union will reopen the contract. You said you were attempting to encourage the company to deal with this question of consultancy. What role have you had, if any, in trying to deal with this catch 22 that the company and the union seem to be getting into?

Mr. Shardlow: Prior to the visit to Sault Ste. Marie, the Minister of Labour (Mr. Wrye) met with the union officials and the chairman of the company, Mr. Macnamara, on separate occasions and emphasized to both groups that one of the major roles of the Ministry of Labour is to act as an independent third party to bring together parties that are having problems. We emphasized that again in our visit to Sault Ste. Marie.

You are quite right that one of the major points the union brought out to us in Sault Ste. Marie and in Wawa was its frustration about the lack of information in general and its lack of participation in the decision-making process. It felt the company was using this as a pressure tactic to soften them so they will give contract concessions.

You are right that one of the major things the union has proposed to the company is that the union have an independent consultant who would be allowed to look at the books. The company has responded to the union, as I understand it, that it would be willing to discuss that proposal. They are meeting tomorrow in Sault Ste. Marie. Mr. Gérard, Mr. Abernot and his people, and I believe one or two of the union consultants, are meeting with the company to go over some of its concerns.

I have not seen the issues with which the company responded to the union and I am not aware of the third-consultant situation it is asking for, but I rather suspect it may be something along the lines of the company suggesting

the person who would look at the books be a recognized person of national stature to ensure an independent evaluation.

Mr. Wildman: It seems to me if the company mentioned the LTV contract specifically and the union hired the very American consultant from New York who looked into the LTV contract, the company is being a little strange in its response. Anyway, I will not pursue that.

My other question relates specifically to proposals made while we were there. I have been on the floor for some time, so I am willing to give it up if other members have questions. I would like to raise just one matter before doing that, and it relates to Algoma Central Railway.

You indicated that Mr. Black was very tough in his analysis. That is not a pun. He was very strong when he talked to us too. Basically, he said they are at \$10.25 a ton. They have been at that level for some time. They need \$10.87 just to meet inflation this year at the same level of tonnage. Now they are being asked, as you indicated, for a concession with lower tonnage. He said discussions were ongoing, but he did not see how they could do it. He pointed out to us that the passenger service, particularly the tour train, brings about \$43 million into the economy of Sault Ste. Marie and area every year. If the freight division has to cut back significantly or shut down, it was--I think he used the term "inconceivable" that they would continue the tour train. You are looking at taking \$43 million out of the economy and another 1,500 or so jobs related to the accommodation industry and so on, as well as the direct jobs at this rail division.

They also mentioned a feasibility study was being proposed with regard to refurbishing the rolling stock used by the passenger service. Also, a feasibility study, I believe, was being proposed for marketing the tourism component. Can you tell me what is happening? What is the status of the feasibility studies and what is the government's view of that whole situation.

Mr. Tough: I think Mr. Aiken can speak to the feasibility study. May I say a couple of things? On the general question of the ACR, I think you have characterized it perfectly. You have a situation where the company does not believe it can make any concessions but it is going to have its freight line shut down if it does not. That was fairly stark. There is no debate among the various parties. We are very hopeful that--

Mr. Wildman: You have to keep in mind that it makes more money out of its laker system.

Mr. Tough: We are aware that the railway traffic now is a comparatively modest contributor to the total revenues. It is quite diversified. At the same time, it conveys quite a strong impression that it wants to stay in that business. We are hopeful that it can see the way clear to participate in the solution. We see everybody having to participate in this one, including the provincial government.

May I say one other thing while I have the floor? Something has been bothering me. It was the comment by Mr. Wildman that the federal government has lobbed the ball over.

Mr. Wildman: That was not my comment; I was characterizing Mr. Kellener's comment.

Mr. Chairman: Do not backtrack, Mr. Wildman.

Mr. Tough: That kind of troubles me. It creates an impression that somehow one of the governments is more concerned and more helpful in this situation and it is a bit of a competition. I think we are all going to have to play.

I might offer one observation. In our discussions with the union in Sault Ste. Marie, as in our discussions in Ear Falls and with union representatives at other places, we spent about half our time talking about federal programs, the insensitivity of those programs and their contribution to rigidities in the labour market. I suppose the classic is the changes to the unemployment insurance regulations and the decision to tax the severance benefits. I think everyone recognizes that is not contributing to a solution; it is creating a problem.

It is creating a lot of hesitancy on the part of older workers to retire. Because of the bumping rules and the seniority rules, the consequence of older workers refusing to take early retirement because the benefits are not rich enough, partly because they are taxed away, is that the younger workers lose their jobs.

As I said, I think we spent a good half of our meeting trying to see our way through that. The most generous company is caught in a situation where the more money it puts on the table for early retirement, or in the case of Ear Falls, compensation for lost housing values--I think Mr. Pierce is aware of that--those benefits are taxed away as income. It is creating quite a problem in those single-industry communities.

That was not meant to be a commercial break, but it does trouble me when we have these real difficulties that we have to co-operate on.

Mr. Wildman: I will communicate your views to Mr. Kelleher.

Mr. Aiken: The Algoma Central Railway came to the council of the city of Sault Ste. Marie to advise that it was in serious difficulty with the tour train operation. The best of the equipment is 40 years old. It probably has a lifetime of four to five years before it is either rebuilt or replaced.

It also pointed out that by its calculations, the tour train operation was, at best, a break-even operation. The trains carry about 100,000 tourists a year. That is on the summer tours, the fall colour tours and the snow trains that run on weekends during part of the winter. As Mr. Tough has said, they do make a significant contribution to the economic wellbeing of Sault Ste. Marie and the region. That extends as far north as Hearst. We are not sure how far east those benefits flow, but they are there and they are very real, both primary and secondary.

5:20 p.m.

Their problem was a simple one. On a break-even proposition, they were not prepared to invest large sums of money in rehabilitating or replacing equipment. The notion of looking at ways and means this might be brought about gave rise to the study that was mentioned.

There is a marketing aspect. One of the questions to be answered is, is it possible, and by what means, to increase the carriage of tour train passengers during all seasons, thereby increasing the revenues? Other

questions that would be directed to the attention of the consultant will be: what improvement in facilities would be beneficial? What can be done in terms of the Agawa canyon, which is the destination of the tour trains, to further increase its marketability and, thus, the passenger loading factors?

Again, behind all of that is the question of the equipment. The study will examine what options are open. They include rehabilitating the existing equipment. An interesting notion that can perhaps be explored suggests it could be done locally. It would take about four years and could produce as many as 77 jobs during that four-year period, so it is clearly worth investigating.

The other end of the spectrum would be equipping the tour trains with brand-new cars. As you will appreciate, they are extremely costly. There is another problem with those: Would they attract the same riders in the same way, given the romantic nostalgia that is associated with the railways as they were rather than as they will be in the future? Those are some of the questions that are going to be answered.

The terms of reference for the study itself have been drafted. The technical advisory committee has been established. There is a meeting a week from today in which lists of consultants will be identified, proposals invited and the thing will be under way. The city of Sault Ste. Marie is a partner along with the Algoma Central Railway and the Ministry of Northern Development and Mines.

Mr. Wildman: As a supplementary to that, Mr. Aiken, did you say the feasibility study is now going on? Has it started yet? I know you are having a meeting next week.

Mr. Aiken: No. The terms of reference have been drawn and have been out for comment. Those comments are now mostly in. They will be finalized on Monday. Invitations will go to the consultants shortly thereafter.

Mr. Wildman: Has the union been involved in the process of developing the terms of reference?

Mr. Aiken: No, not to my knowledge, unless it has been done internally by Algoma Central Railway.

Mr. Wildman: The term Mr. Sandie used when he appeared before us was that they were on the outside trying to peer through the window, and he did not appreciate it.

Mr. Aiken: It is something we can talk about at the meeting next Monday.

Mr. Pierce: May I have a supplementary, Mr. Chairman?

Mr. Chairman: If Mr. Knight allows it, yes.

Mr. Pierce: It is very snort.

Mr. Knight: Since I have not posed a question, it would be hard to put a supplementary to it.

Mr. Pierce: Did you say consultants had been selected to do the study?

Mr. Aiken: No. That is the next step.

Mr. Knight: Now I will put my question. My concern is related to the control orders on the ore division in Wawa. Mr. McLeod's response to questions put by Mr. Wildman have eased my mind somewhat, but there are a couple of other things I want to ask you.

Mr. Melville had indicated it was merely a coincidence that Algoma would be meeting the sulphur dioxide emission requirements, which you have indicated are actually met above the 900,000 tons. Had your ministry at any time determined what the cost to Algoma of implementing the emission control equipment would have been with the present or existing levels of output?

Mr. McLeod: No, we had not costed it out. But to clarify that, as I said before, we worked in our discussions with Mr. Nixon and Mr. Macnamara of Algoma on a figure of 1.7 million tonnes as a maximum production figure. We then said to them, "Given today's technology, can you get down to 125 kilotonnes of sulphur dioxide per year, assuming you have as much as 1.7 million tonnes in production?" Their answer was, "On today's technology, no, we cannot."

Our next questions, obviously, were: "What is it going to cost you to get there? Do you require access to the joint federal-provincial fund that will be announced as part of this program?" The answer was: "We probably will require access. It is too early to know exactly how much it would cost us." As a ball-park figure, they said it would cost them roughly from \$20 million to \$40 million between now and 1994 to get to 125 kilotonnes if they were producing 1.7 million tonnes.

The joint federal-provincial fund, as I am sure you are aware, has a total of \$170 million. How much both the federal and the provincial governments would be willing to dedicate out of that \$170 million to help them make the necessary changes within a range of \$20 million to \$40 million, we did not discuss in detail with them, internally or with the federal government. Rather, we identified the fact that they might be coming to us and asking as much as that, but there was no commitment on their part that it would definitely be that. Obviously, that is a very wide range.

Given the history, if it is helpful to you, of the amounts of emissions and quantities of production in the last five or six years--taking out a couple of years that do not really reflect full employment throughout the year--their emissions in 1980, for example, were as high as 160 kilotonnes with a production of 1.5 million tonnes.

The rest of the figures are available if you require them. In 1984, when they were producing 1.26 million tonnes, which is roughly what they were forecasting for 1985 and 1986, their emissions were down to 127 kilotonnes. They were within 2,000--I mean two kilotonnes. I sometimes mix up those figures. I apologize.

My point is that they were still quite a way from their 1.7 million maximum production figure. They could not foresee a major financial investment as long as they stayed at a production level similar to where they have been in the last few years.

Mr. Knight: It was mentioned, and confirmed by you, that they will meet their required levels well above 900,000 tonnes, so they will if they go to 900,000 tonnes.

Since they do not have any emission abatement equipment at the present time--and I think they said they met the guidelines, subject to their being changed--would your ministry be looking at a relative change to their present output? You mentioned that you thought something could be worked out that would be agreeable to the government and the industry. Have you looked at what that relative figure might be?

Mr. McLeod: That reference was to the steel plant in Sault Ste. Marie. There are local control orders requiring them to limit emissions from their coke ovens. That is quite separate from the sulphur dioxide emissions of their sinter plant in Wawa. I think we will achieve agreement with them with respect to the emission levels in Sault Ste. Marie.

Mr. Knight: Would you again be looking at the control orders for Wawa?

Mr. McLeod: As I am currently advised, I think it is unlikely. It is unnecessary because of the production figures we have just talked about, unless, because of limited production, they appear to be falling so far below the limit of 120 kilotonnes for 1994 that we have set for them that it appears sensible to lower that limit.

In the overall scheme of things they are one of the four major emitters of sulphur dioxide in Ontario, but they are not as high as Inco, for example, in Sudbury; they are not as high as Ontario Hydro. As long as they are keeping the emissions down, I have some doubts about whether it would be necessary to change the number.

5:30 p.m.

Mr. Knight: With the reduction in output, they would automatically then be dropped from the list of the four largest polluters in the province?

Mr. McLeod: I would have to check the numbers, Mr. Knight; I am sorry. As things stand now, with respect to what has been passed by order in council for 1994, they are the third largest in the province at 125 kilotonnes per year. If they were to reduce production to 900,000, they might well drop below the level of 100 kilotonnes. Falconbridge, for example, has been regulated too for 1994, thereby becoming the fourth. Concerning whether it would drop to fifth or sixth, I would have to look at the figures more closely to tell you.

Mr. McGuigan: Looking at the options that are available, it seems that the one that is the most attractive and the most immediate in helping the community would be to move a government office. It might not directly help the people in the smelters, but it would help the community and probably help the wives of the men in the smelters.

I am curious. What are the constraints on moving a government office out of Toronto and decentralizing? Does it require a lot of flying back and forth by people to have meetings, or can they now use the--

Mr. Wildman: Just ask Herb Aiken. I catch him on the plane every second week.

Mr. Aiken: How about 100 motel nights a year?

Mr. Wildman: We have to move the deputy up north.

Mr. McGuigan: We have interlinked computers, telephones, conference calls and those sorts of things. Do they do the job, or do you still have to have an awful lot of people flying back and forth? How inconvenient and inefficient is it to have these offices decentralized?

Mr. Tough: I can speak to that first. I am the deputy with the highest proportion of his employees and decision-makers in the north. It is about half of the ministry employees in the north, including my assistant deputy minister northeast, Mr. Aiken, and my ADM northwest, Bill Lees. Bill is in Thunder Bay and Herb is in Sault Ste. Marie, and we have a number of offices throughout the place, as you know.

There is no question it does require additional travel. We spend a lot of time and money on aircraft. We think our experience has proved that this is a pretty good investment. It is invaluable to have your senior people in those northern centres. It is very hard on them to have them commute. Herb is down here about half the time.

As one member said, there may be ways we can overcome some of that through better communications facilities and so on. For the time being, I am requiring quite a few of them to be here because I do not want to get into a situation where there is a regional component to the ministry and then a component of the ministry that does everything down in Queen's Park. We have to make sure it is a team effort.

There are some costs and some major benefits with respect to the service we can provide and the intelligence system that this kind of network brings to us in terms of seeing what is on the community's mind and responding to it. In the mineral industry, for example, we have a resident geologist in the smaller communities. He is the person we rely on. We have a northern affairs officer in Wawa, who obviously keeps us informed, and we will be establishing a development economist in Wawa as well as part of this response to the situation.

There appear to us, as advocates of the north, to be some opportunities to strengthen the presence of other ministries in the north, and on occasion as well to examine whether there is something you might call footloose functions that could be moved and whose location in the province does not matter much.

One of the classic cases was an earlier federal response to the Sudbury situation, where they took a decision to move a big chunk of what was then called the Department of National Revenue and put it in Sudbury. That has contributed in a major way to diversification in Sudbury and has contributed to the fact that, in the past five years, 95 per cent of the jobs in that city have gone to women. You do broaden the opportunities.

Similarly, moves towards decentralization by the provincial government should bring those kinds of opportunities. These moves should bring new kinds of employment and, we hope, relatively stable employment. They will bring more choices for people there now who are not having the choice or the opportunities, particularly in the primary industries, where there is essentially zero new hiring occurring all across the board.

Mr. McGuigan: To summarize, you are saying there is a cost that is not beyond the authority of the government to absorb, and there are benefits in having people in the area.

Mr. Chairman: You will notice that you got only the disadvantages, Mr. McGuigan.

Mr. Tough: No. Forgive me, Mr. Chairman, if you got the impression we think the disadvantages outweigh the advantages. It is quite the reverse. We have been advocating this for a long time, and you know our minister has a four-digit number he talks about when he talks about decentralization. It remains our view that this sort of dimension is well within the financial bounds of reasonableness. We hope the government takes that kind of commitment seriously very early on.

Mr. McGuigan: That is a very positive answer, and I thank you for it. Another thing that comes to mind where the governments might help without getting into breaking a lot of international trading rules would be through a subsidy to the railroad. Delegates tend to talk about that when we are in free trade negotiations.

Mr. South: It does not seem to bother the Americans.

Mr. McGuigan: No, I guess not. It did not bother them to take action on shingles, did it?

Mr. Wildman: They are giving the Prime Minister a case of them.

Mr. McGuigan: Given that we do subsidize the movement of a lot of other goods on the railroads, is this one to which we could give consideration or are thinking about? A very modest amount of money might just be the amount that is required to push the cart over the hill and get it rolling.

Mr. Tough: Mr. Lavelle is a trade man, but on each occasion when we talked to people up there, we tried to make the point that we were extremely reluctant to consider any kind of a subsidy in that industry at this time. As you know, Algoma is already before the International Trade Commission in the United States on account of some of its tube sales to the United States. I think Algoma would be very concerned about exposing itself to trade action if we were to go in with a direct subsidy.

We tried to emphasize that we do not see government's role in this as providing a direct subsidy to the operation or to the transportation facility. We have a lot to do in terms of diversification, providing community support and that sort of thing, but we do not see our role as intervening to do the work we think those other players have to do.

For example, I do not know whether the Algoma Ore Division made available to you the changes in the costs that have occurred in its operation. If not, I am not at liberty to divulge them, but I think it is fair to summarize them. In the past five years the costs of virtually every input to that operation have gone up, in one case by 66 per cent. That is in a time when the north is essentially trying to recover from a recession. Almost no matter what we do, the company cannot face costs that continue to increase in a market where the prices are not increasing. Even if we were to intervene in some fashion, it would be very short term. It would probably be counterproductive and it would not be our intention to relieve those other parties of their responsibilities.

5:40 p.m.

Faced with the loss of a major customer, each of the service and supply industries should probably look at making some moves. Interestingly enough, the cost of labour at the operation was not a major contributor to the overall cost trends. There has been quite a marvellous increase in productivity in that operation and it really was very impressive. Also, the management at the operation was full of praise for the employees who had participated in such a productivity change. I am sorry it was a long answer.

Mr. McGuigan: It requires a long answer because it is a delicate matter at the moment.

My third question refers to the railroad. I must confess I have never taken a ride on the Algoma Central Railway or gone through the Agawa Canyon. About three years ago, I took a busman's holiday during one of the breaks and went to Washington, DC. On the way, we stopped in Pennsylvania although I have forgotten at which community. A voluntary group there had an old, abandoned piece of railway track. Apparently they had acquired a lot of old cars, going back to the mid-1800s. They had refurbished these and had a steam engine for these cars. There were about 12 miles of track and an old station. That was the most popular item. There were crowds, busloads of people.

In the old movies, we see horses outracing the steam engines. How can a horse outrun a steam engine?

Mr. Chairman: Have you ridden on Via Rail lately?

Mr. McGuigan: Those early trains only went about 14 or 15 miles an hour. This one travelled at about that speed. You could almost jump off and run alongside of it. Nevertheless, it was very popular. The cars were made of ornately designed wood panelling. They were beautiful. There was a group of people taking part in some sort of voluntary effort. I do not know where the money went.

Do we have any place in northern Ontario, if possible near Sault Ste. Marie, where a similar venture might be tried with some government push? I do not know what the Algoma Central Railway trip is like. Is it a different type of trip?

Mr. Wildman: It is a longer trip. While it is old equipment, it is not 19th century equipment.

Mr. Pierce: I do not believe that the train is conducive to horses chasing it, either.

Mr. Wildman: It is interesting to point out that one of the things that Mr. Black and Mr. Berdusco said to us was that in comparing the costs of Dofasco, for instance, to Algoma Steel, perhaps the rates charged by Ontario Northland were somewhat less. Do you have any comment on that, Mr. Tough?

Mr. Tough: That is the information that was conveyed to us. We have not had occasion--and I am sorry but we could certainly try and provide some further illumination on that. We have no reason to doubt that. Ontario Northland has eight major industrial customers that provide about 90 per cent of its shipments. The iron ore from the Adams and Sherman mine is brought down by a unit train operation with fast turnaround and very high efficiency. Again, it is apples and oranges. I do not want to leave an unfair impression

that we think Algoma Central Railway's costs are necessarily out of line. They are providing a service, as I said earlier, which goes beyond just shipping ore back and forth.

Mr. Wildman: The other side of the coin is the Algoma Central and Hudson Bay railroad that received substantial land grants from the federal government in order to build a railroad to Hudson Bay and not to Hearst. Significant revenue comes to that railroad from the land it received at that time. They have an obligation, I believe, under the Railway Act and under their charter, to provide service at least to Hearst, if not to Hudson Bay.

Mr. McGuigan: To go back to my question which may be more easily answered by the tourism people. Is there not some place in northern Ontario where such an idea could be followed up to add to the attractiveness of groups coming through, because it was a popular item?

They have done some work at the old electric railroad between St. Thomas and--what is the town on the lake?

Mr. South: Do you mean Port Stanley?

Mr. McGuigan: Between St. Thomas and Port Stanley, they have done some minor work to try to get a tour going. I do not believe they have got it fully off the ground.

Mr. Tough: There is a good likelihood that kind of question could be addressed in the course of the study that is ongoing now. We are aware that the Algoma Central Railway is interested in getting more traffic and lengthening its season. It is a very limited period, which makes it awkward, because it has to get more cars than are available to its own company and bring them in for that surge season. If a way could be found to stretch out the season, it actually might be able to start making some money on that. It is a good idea.

Mr. Morin-Strom: When we heard from the unions, particularly with respect to the terms of reference of the study that is being done on the Agawa tour, they made the suggestion that one of the things which should be looked at, and it is perhaps similar to what Mr. McGuigan is suggesting as an alternative, is encouragement of the two-day tours all the way up the line and back down. Is that possibility included in the terms of reference? Perhaps Mr. Aiken knows.

Mr. Aiken: No, it is not at this point. That was seen as a separate but related problem. As I am sure they mentioned, they would like to expand that aspect of their business. They have sufficient equipment to take care of that now. It is more a matter of marketing and persuading people to go to Hearst.

They have had some success in encouraging snowmobilers to trailer their machines as far as Sault Ste. Marie, put the equipment on in the winter, and take it up to Hearst. There is a very large network of snowmobile trails running out from Hearst. The community itself has done some first-class entertaining of American visitors. Some have come from as far away as Georgia. There is still some further potential to expand that.

Mr. Pierce: I have a couple of questions in reference to the presentations we had before us in Wawa. There was a reference to the thermomechanical pulp plant and a possible harbour rebuilding. One of the questions was on whether there had been any studies done on the marketability

of pulp, and whether a plant at Wawa could be an economically possible and paying proposition. Can you give us any information on that? Has the ministry indicated it would be prepared to fund some kind of study that would determine the marketability and the feasibility of a TPM plant in the Wawa area?

Mr. Chairman: Is Mr. Lavelle leaving?

Mr. Lavelle: I was going to ask the indulgence of the committee to leave.

Mr. Chairman: The only problem is that I want to ask a question on specific products. I do not know whether Mr. Lavelle is the correct person to ask.

Mr. Tough: Mr. Girvin is the assistant deputy minister and is pretty good.

Mr. Chairman: All right. Thank you. I am sorry, Mr. Tough.

5:50 p.m.

Mr. Tough: We were seized by the obvious impasse that seemed to exist there with respect to the potential for a TMP, a waferboard plant or some kind of wood-based facility. Jean-Paul Dubreuil outlined the situation as he saw it. We carried that information to our colleagues. We would very much like to get off dead centre and have a fairly close examination of the potential for TMP or chemi-thermomechanical pulp or a waferboard plant and attempt to do what we can to resolve the question.

If potential were found, we would see that as a natural, compelling and attractive diversification option. There are many unanswered questions. As you know, Mr. Dubreuil and his associates have been working a long time on this. I believe there was also a study before that. We hope our colleagues in the Ministry of Industry, Trade and Technology and the Ministry of Natural Resources will take a close and aggressive look at that to see whether it is possible. We will do that.

Mr. Pierce: A study will be done and in the terms of reference a number of items have to be addressed; first, the opportunity to construct a TMP in the Wawa area and, second, the marketability of the product after it is developed. Even before that, a major player is required who is prepared to put that kind of investment money in the Wawa area and develop the mill itself.

Mr. Tough: Yes.

May I just add? Did Mr. Dubreuil make available that prospectus which Newfoundland and Labrador published with federal assistance?

Mr. Wildman: No, he referred to it.

Mr. Tough: It is a nice piece of work.

Mr. Chairman: He waved it in front of us.

Mr. Pierce: He only had the one copy I guess.

Mr. Tough: Yes, they were kind enough. They passed a copy to us and we would be pleased to make that available. There is nothing confidential, it

is a public document. They gave us an Alberta example as well which had government doing an investment prospectus that talks about--

Interjection: It is a lure book.

Mr. Tough: Yes, it talks about the availability of the resource. It talks about the market circumstances, available incentives and the particular circumstances on the site. We were rather impressed with it as a model and will be advocating that the provincial government takes a similar approach. We would assign first priority to the areas we are talking about, particularly in the Wawa case.

Mr. Pierce: I will try to make room for supplementaries. We can talk all we like about moving government agencies into different locations, but the major component in the exercise is industrial jobs, the people losing those jobs and instability in the community brought about by bringing in outside people. There are still people who have been laid off and will be laid off in the future for whom we have to make room. I see the Atikokan situation and watch what has happened to Great Lakes Paper in Thunder Bay with its waterboard. I see others fighting on a day-to-day basis to keep their companies going. There has to be some committed studying on marketability of product. It is not just a case of having access to it.

I do not want to take shots at the Ministry of Natural Resources, but the other thing that emerged strongly and clearly in Wawa was the attitude the ministry has in respect to the wood allocations and the amount of wood available. I hope the message goes back to the minister and the problem is addressed, not only in Sault Ste. Marie but across the province. We heard from the single-industry communities dependent on resource development that natural resources do not play a major role in developing the north. They create more problems than they solve.

Mr. McGuigan: The minister recognized that with the appointment of Dr. Baskerville.

Mr. Pierce: Yes. I will not comment on that one.

Mr. Wildman: May I have a short supplementary?

Mr. Chairman: Mr. Pierce is trying to correct the errors of the past and I think you should let him.

Mr. Wildman, you had a supplementary?

Mr. Wildman: Yes, specifically with regard to the role of the Ministry of Natural Resources as it relates to TMP. There seems to be a bit of a catch-22 situation there. Jean-Paul Dubreuil believes there is wood resource available, the hardwood, and he is saying that his company is prepared to commit to a mill but it is going to involve a lot of third-party agreements and shifting around as well. He says you have to have a commitment from the Ministry of Natural Resources that those types of third-party agreements will be made available, and the resource will be available, before you can get an investor. MNR is saying to them: "You get an investor. Then, if you have an investor with a proposal, we will look at the resource to see if the resource is available." You are not getting a meeting of the minds.

What has your committee done since hearing that? Have you had discussions with the Ministry of Natural Resources in this specific regard?

There are two matters. One is the availability of hardwood, not only in the Wawa area, but also in Sault Ste. Marie. Is there going to be a new approach on the part of the ministry with regard to making a commitment that the resource will be made available to help attract an investor?

Mr. Tough: I cannot really speak for the Ministry of Natural Resources.

Mr. Wildman: Have you talked about it to the Ministry of Natural Resources?

Mr. Tough: Yes. The material and the points of view that were conveyed to us in Wawa in particular, because that is where we were, have been conveyed to the Ministry of Natural Resources and to the deputies of the cabinet committee on northern development, the ones who were not already aware of that situation. I am quite confident that it is under review, and particularly in the case of Wawa, that we will collectively be seized with the need to get off the dime.

Mr. Wildman: Did Mr. Dubreuil read you the minutes of his meeting with the ministry?

Mr. Tough: Yes.

Mr. Wildman: If he did, the comments of Mr. Markus--who is well known to me and to other members of this committee--were hardly encouraging. Obviously you cannot speak for them. Perhaps we should consider asking somebody from Natural Resources to come before our committee.

Mr. Tough: However, I think you would not be surprised if I were to say that there probably is another view--

Mr. Wildman: On, sure. Those were Mr. Dubreuil's minutes, not Mr. Markus's.

Mr. Tough: That is right. Obviously I am not taking sides on this. What we are convinced about, and I think I hear you saying it, Mr. Wildman, is that we have to resolve this issue. If it turns out that there is not enough wood, or not enough market, then let us hope it is put to rest. On the other hand, and we are optimistic, if there is an opportunity for some form of plant, whether it is TMP, CIMP or waferboard, then we ought to address whether there are obstacles in the way. I think we have agreement. We would have agreement at the deputies' level there, without prejudice, to the eventual outcome.

Mr. Pierce: I have just a few other comments. I had some notes about third-party agreements and cottage-lot development as well and they all refer to Natural Resources. I agree with what Mr. Wildman is saying. Possibly we should have a session with Natural Resources.

There was a request at Wawa to interconnect the community of Wawa with another highway and make access to the market more available to them. One of the recommendations that the Advisory Committee on Resource Dependent Communities in Northern Ontario is making is that all interconnecting links be full-service links, so that communication lines and hydro or power be available. As you and all the ministries are aware, we have a number of interconnecting road links in northern Ontario with no services. As a result, development does not go to those areas because the cost of getting the service to them is just out of the world.

6 p.m.

The other comment is in connection with the Ministry of the Environment. There was some suggestion that Great Lakes Power was prepared to construct a number of dams to generate more power. Was there any response from the Ministry of the Environment with respect to the backup of water required by the construction of additional dams on the river system?

Mr. McLeod: There is an interministerial staff committee, in which the Ministry of the Environment is participating, that is studying the Magpie situation now. I do not have any immediate or terribly recent information to relay to you as to the state of their study. I know they were up there when we were. I can only tell you it is ongoing. There is some local opposition to the potential project. We are looking for enough information to permit the minister of the Environment (Mr. Bradley) to make a decision as to whether it is appropriate for such an undertaking to be designated for environmental assessment. We will not know that until the interministerial staff committee completes its report.

Mr. Pierce: I have one other question. Are there any native land claims in the process in the Wawa area?

Mr. Tough: Mr. Pierce, I really do not know.

Mr. Wildman: There is a study of one. There is a very small band at Michipicoten near the harbour and they have been carrying out studies with the help of the federal government, but there has been no claim to date as far as I know.

I would like to follow up on the question Mr. Pierce asked you, Mr. McLeod, regarding the proposed Great Lakes Power project on the Magpie River. You are probably aware I have had discussions with the minister and with Ms. Kliwer of your environmental assessment branch to the effect that, if the project is not designated, there must be an avenue for local input. As you have said, there is some significant opposition to the possible environmental impact of the project. I suggested a local committee be formed, which is something your ministry has been involved with on other occasions, representing the various shades of opinion.

Ms. Kliwer, as you said, went to Wawa to discuss the whole project with the people involved. My understanding is that she did not indicate the ministry was prepared to move on that, when I had been given the impression previously that it was. I encourage you to facilitate the formation of a committee so that people of all shades of opinion will be able to become involved in the Acres study, whether or not the project is designated.

Mr. McLeod: Mr. Chairman, with your permission, I will take Mr. Wildman's suggestion back to the ministry. As I indicated, I do not have any up-to-date information about that issue, but I can take it back and discuss it with our staff.

Mr. Wildman: Thank you. My other questions relate to where we go from here and they relate particularly to Wawa. The community asked us, and I understand asked you, to put together a rescue package, as they referred to it. It indicated it was applying for community futures with the federal government and it wanted participation of all three levels of government. I

understand the minister indicated to the township that he would be locating an economist in Wawa. Is that right? When and whom?

Mr. Tough: Mr. Aiken and I have not finalized our discussions on this, but it is by my preference that we have a competition and get somebody there who we consider aggressive and who will make a major contribution. We can go fairly quickly on that. We have the room and we can hire somebody as soon as possible.

Mr. Chairman: Perhaps the former economic development officer from Ear Falls.

Mr. Tough: He is still there and he is going to be needed there for a while, unfortunately. I wish he were not, but that is the position.

Mr. Wildman: In terms of the community futures program that has been announced for Sault Ste. Marie, I understand that in the Sudbury pilot project, Falconbridge and Inco put together a total of \$500,000. Is there private investment in the community futures program for Wawa?

I tried that on Mr. Melville when we were in Sault Ste. Marie, and he seemed, frankly, a little taken aback. He indicated that they were prepared to participate in the committee, but he did not think they had any money. I also pointed out to Mr. Melville that I understood Stelco put together a \$2.4-million package for Ear Falls. Of course, that was a close-out, but there was a \$2.4-million package. Has the provincial government considered asking the company for financial participation in community futures, either in Sault Ste. Marie and/or Wawa?

Mr. Tough: We have not got to that stage in our discussions with Algoma Steel. It is fair to add that we have not got to the stage in our internal deliberations where we determine how we wish to relate to community futures. From the material that has been presented to us and others to date, you are aware that there is anticipation in that federal program of some participation by the provincial government. I have to speak for our own ministry; Mr. Shardlow may have something to add.

We are not yet sure of the details of the futures program or of the best way to work with the federal government on it. The federal government's understanding may be that it will look a little like the Sudbury pilot project, but it may also be that it has a more flexible view this time, that it would put up some money in its programs and that we would make available some financial commitment for our programs.

Mr. Wildman: That seems to be what Mr. Kelleher is saying.

Mr. Tough: Yes. We would want to look at that.

We will obviously be circling back to Algoma in a short time, in the Wawa situation and others, to see what role they see themselves playing in this adjustment process. We have not got to the stage of approaching them for funds. It was quite evident that they had so much on their plates when we were up there, in terms of trying to make plans and decisions regarding the adjustment, that there was no particular benefit to be gained from talking to them about something we had not done.

Mr. Wildman: With regard to community futures, as I indicated to you privately, the township of Michipicoten has been informed in a letter from

Flora MacDonald's office that it does not meet the criteria--without saying which criteria they do not meet. They are having a meeting on Wednesday and I understand a representative from your ministry will be there.

Mr. Tough: Yes. We hope that if in the end it is decided that the community does not qualify for that particular program, it does not mean there will be no federal financial assistance available for the community. We are assuming there will still be a federal presence in the search for solutions there.

Mr. Chairman: Is it the population criterion they do not meet?

Mr. Wildman: They did not mention what. They just said, "You do not meet the criteria." That is what the meeting on Wednesday is partly about, to find out what criteria were not met.

The letter was read to me over the phone. They indicated that Sault Ste. Marie met the criteria and was able to get involved so quickly because the city had previously been involved in something called the Industrial Adjustment Service. Therefore, they were farther ahead than Wawa. Do you have any idea whether involvement in the Industrial Adjustment Service is a criterion for being involved in the community futures program?

Mr. Shardlow: The Industrial Adjustment Service is the agency that would be delivering the community futures program.

6:10 p.m.

Mr. Wildman: In other words, they are saying that because the Sault already had maps and an organization set up, it could get involved more quickly. I think the members of the committee would agree with me--I will not comment on the presentation made by the city of Sault Ste. Marie--that the presentation made by the township of Michipicoten indicated it could get involved with anything as quickly as , or perhaps more quickly than Sault Ste. Marie. I hope that can be resolved and there will be federal involvement in helping the community of Wawa. When I say that, I expect it will be provincial; I am only hoping it will be federal.

Specifically, we have talked about thermal mechanical pulp and the gold milling that was proposed. They also mention the tree nursery, the fish hatchery and the tourism economic development strategy study with which they now are involved, for which I understand the province has already provided some money. Is that right? When is that likely to be completed?

Mr. Aiken: I am sorry; I am not sure. Two studies were funded by the Ministry of Tourism and Recreation, one about two years ago and a followup is being completed at present. I suspect it will be a matter of a few weeks rather than a few months.

Mr. Wildman: As Sault Ste. Marie mentioned and as Mr. Pierce indicated when we were on the other committee, almost every northern community we went to talked about the decentralization of the provincial government. Certainly Wawa did.

I was informed this morning that at a meeting of the chiefs of police a week or two ago, Douglas Lucas, director of the Centre of Forensic Sciences, indicated there was a six-month backlog because that section was so overworked and the Ministry of the Solicitor General had decided it should decentralize

that operation. It was looking at establishing five regional labs. Each would employ about 14 highly technical people and it would have a spinoff effect.

Apparently when it was first announcing it, the two areas it was looking at for northern Ontario were Kenora and Wawa, according to Mr. Lucas. It now has decided to locate them in Thunder Bay and Sudbury instead. I encourage you to suggest to the Ministry of the Solicitor General to rethink its position. I am sure Kevin Winkler, the mayor of Kenora, will be talking to you, as will the reeve of Wawa.

This is something we heard on the other committee, and I am very serious about this. Everywhere we went, in any community of fewer than 10,000 or 20,000 people, every time we started talking about getting something into the north, they resented that it was assumed that a government office going into the north would go into one of the five large centres. There is no reason on earth for a facility such as this to be located in a large as opposed to a small centre. That is something that should be rethought, particularly in the context of the economic situation.

I have two other questions. First, can you tell me what is the status of the current discussions regarding ski developments north of the Sault, which was referred to briefly this afternoon? I understand you have at least two proposals before you.

Mr. Aiken: That is correct. There is a proposal from a property known as Havilland Heights Resort. There have been meetings with the Minister of Northern Development and Mines (Mr. Fontaine) and the Minister of Tourism and Recreation (Mr. Eakins), and that proposal is under study within the Ministry of Tourism. Mr. Bullock, the proponent, expects a response at a fairly early date.

In addition, representations have been made to the minister of tourism and to the Minister of Northern Development and Mines with respect to Searchmont, for which a feasibility study had begun and was carried to the point where proponents could make some representations to the ministers. Some type of response will be forthcoming in the very near future with respect to that as well.

Mr. Wildman: I do not want to press you too much, but what do you mean by "near future" with regard to these two proposals?

Mr. Aiken: That is a difficult question to answer. They are in the hands of the ministers who will be looking at these proposals along with the other proposals for the Sault Ste. Marie region that we have been talking about this afternoon, because the benefits extend beyond the city of Sault Ste. Marie into the area for both of these. It is all tied in together. When the larger response is made, I suspect they will be part of that larger response.

Mr. Morin-Strom: What is the status of the receiver's attempted sale of the Searchmont resort?

Mr. Aiken: As far as I know, there have been no acceptable offers made for the property. That information is a couple of weeks old, but I believe it still stands.

Mr. Wildman: Of the two proposals that were made very briefly to us in Sault Ste. Marie, one was related to the workers' help centre the need for

bridge funding and the bureaucratic nightmare they seem to be facing with regard to the Ministry of Skills Development. I suggested that they talk to your ministry and that your ministry should provide bridge funding and/or facilitate an agreement with the other ministries. I understand Des Beck was going to try to meet with Mr. Aiken. What is happening with that?

Mr. Aiken: I do not know the name.

Mr. Wildman: He is the manager of the help centre.

Mr. Aiken: We have not had an opportunity to meet, but I will make contact with him.

Mr. Wildman: It would be useful in terms of government expenditure--the chairman has raised in the House things such as the Ministry of Natural Resources computer-mapping program. It would be nice if you would actually locate the computers and operation in the north rather than hiring somebody from Toronto to send up there to do the work and then bring the information back to do all the computer analyses down here.

Mr. Chairman: I have a question or two, if I can jump in here before everybody leaves.

Mr. Girvin, I have wondered for some time what ministry of government--I assume it would be yours--puts together an analysis of what is missing, of what roles there are in the industrial fabric in the north. For example, we know there is an enormous amount of nickel produced in Sudbury and a lot of steel produced in the Sault. What has your ministry done to try to marry those two facts? When you combine iron ore and nickel, you can get some nice stainless steel. There are significant gaps--by gaps I mean imports--enormous imports in stainless steel products. Has your ministry done any work to determine the opportunities that exist for producing some of those imports here?

Mr. Girvin: There have been studies of the import penetration level on a sectoral and subsectoral basis across the provincial economy, usually in macro terms. That is how we sort out some of the opportunities for joint ventures or green-field sites.

There is not a study of the specifics regarding the blend of those productive capacities in stainless steel. I am not aware of anything that we or the Ministry of Northern Development and Mines have done in any detail concerning those opportunities. As you are aware, there has been a fairly high level of import penetration in stainless steel, and an existing manufacturer in Welland has felt some of the levels of import that Mr. Lavelle addressed earlier in terms of the trade debate on steel.

There is the challenge of having market access in the United States in particular and of facing the International Trade Commission's dumping and countervail charges along with the dumping we face in our own backyard. There has been representation by the existing stainless steel manufacturers about the dilemma they face from a structural perspective in the competition and level of dumping that is occurring in our own domestic backyard.

6:20 p.m.

Mr. Chairman: Does it strike you as passing strange that so many of

the demands from the north are for the public sector to resolve the problems as opposed to the private sector?

Mr. Girvin: Obviously, both as a government and as a civil servant, the first priority would be to effect some changes in terms of private sector development. I would think that one looks at the primary challenges one has during the next five years as far as the international and global competition we face in the resource industry is concerned, in terms of market access, which is part of the trade discussion with our major marketplace, but, more important, in terms of mines and other primary resources, the level of dumping, the level of competition we are facing on a worldwide basis, versus even 10 or 15 years ago, when we had that monopoly as effective cost producers.

Now we are facing a challenge, and I think we will in the foreseeable future, to compete against some fairly efficient and productive manufacturers or primary producers in addition to those that will be selling for hard currency in the light of their own significant problems in international trade.

I presume the question you are alluding to indirectly is the issue of strong primary and secondary manufacturing jobs versus some of the service jobs that will be created in the place of those primary and secondary jobs. Probably the focus in terms of the service industry is on what types of service industries you have. This is in no way to denigrate the service sector, which in the south, the east and the north has been the mainstay of our employment base. However, in terms of value added and the indirect benefits that occur with service industries, there are different types of service industries, such as the software areas, a lot of quite leading-edge technology and a variety of other instances in terms of tradeable services, which perhaps have more of a multiplier effect and more of an indirect downstream benefit than some of the more traditional service industries.

That is part of the focus when George Tough talks about the shopping lists of initiatives that have been discussed on an interministerial basis, both in the senior civil service level and at the cabinet minister level. Trying to address that balance between public and private and secondary and service industries is the challenge we face in getting an appropriate quid pro quo.

In the downstream of the shake-out we faced across the province in 1981, 1982 and 1983, that issue was still a significant one right across the board, exclusive of any geography, in which the United Auto Workers member in Windsor, who was 52 years of age, was not suddenly going to be involved in writing high-tech software programs for computer-aided design/computer-aided manufacturing equipment in the Windsor area.

The issue of displacement, retraining and all the other integrated packages is the challenge we face. I do not think there are any easy solutions, but there is a pretty significant recognition that not all jobs are equal and not all people, even if the jobs were available in a geographic area, have the opportunity to move on to something where an opportunity might be created.

Mr. Chairman: Maybe this question should go to Mr. Tough, since he is more involved in developing overall northern development policy, I would assume. Do you think it is possible to halt the tailspin of the northern economy--and I think it is in a tailspin--without significant government intervention?

Mr. Tough: The short answer is that we very much hope so. I guess it is fair to say there is a sense in the north that, having gone through the recession, or having thought they had gone through the recession, they are now in a continuing restructuring in the north. As Mr. Girvin said, they have got to meet the competition.

One has to distinguish between wealth creation and employment creation. One has to wish that it were not so, but it is inevitable that there is going to be more job shedding in the north in those primary industries.

Mr. Chairman: Job shedding? That is good.

Mr. Tough: I am sorry for the bureaucratic terminology, but that is what it is. It is fairly plausible to argue that it is going to continue in virtually every one of those operations. It is happening not only in the primary sector; it is happening elsewhere. It has certainly taken on a high profile and generated a lot of concerns, particularly in some of the smaller communities.

It is our view that it is going to continue, and it is going to continue if we are to continue to generate wealth out of the region. We are becoming much more capital intensive in those operations. Some of you visited the Hemlo operation. They are marvellous in terms of efficiency with a relatively low level of employment.

We would not characterize it as a tailspin. This is a very diligent, deliberate attempt to remain competitive. It is happening to companies that are losing money and it is happening in companies that are not losing money.

Mr. Wildman: I do not want to be obstreperous, but, frankly, it does not make a hell of a lot of difference to the people in the north that you continue to generate wealth if it is not producing any jobs.

Mr. Tough: That is quite right, Mr. Wildman. I guess our view is that we have a couple of tasks here. One, we need to encourage the restructuring that is taking place, making sure the safety nets are perhaps better established than they are now. Two, we have to create more mines and thermal mechanical pulp plants. Instead of trying to maintain a level of employment at existing plants that government somehow believes is better and risk the viability of the enterprises, we would see our efforts best placed in trying to get more investment in the north and in providing, as part of that development process, more support for the development of the service industries, including enhancing the role that government services can play in that.

I am not sure I accept your notion of a tailspin. It is a restructuring. As Mr. Wildman said, it is not fun for anybody up there. It certainly is not fun for anybody in this room. We have to work very hard to get some diversification and some new resource industry jobs.

Mr. Chairman: We have run out our clock. This committee wants to come up with some recommendations to government. I think I speak for members or the committee when I say we would appreciate your help. One way in which you could help us would be to give us some options with which we can deal. We have to do this fairly quickly. We are not engaged in an in-depth analysis.

We would appreciate it, particularly given your note of optimism on the opportunities in northern Ontario that are not necessarily related to the

public sector, if you could aid us in making some recommendations to government that would help us turn the economy around rather than halt the tailspin, if you find that more palatable.

On Wednesday we are going to invite the Ministry of Natural Resources to talk about the wood allocation problem. We then hope to sit down and make some snort, snappy recommendations before we get on with our next set of problems. I know that is a very short time frame in which we are asking you to work, but I am sure the committee would appreciate it if there was any advice you could give us, any list of options, even, that we could consider as we deliberate during the next week or so.

Mr. Tough: I am very hesitant to be that presumptuous. There has been a lot of material presented to you in the case of Sault Ste. Marie and Wawa. We think a lot of that is pretty good-quality stuff. As well, when is Dr. Rosehart's committee going to release its report?

Mr. Wildman: The report is being finalized today. It is going to be translated and then will be given to the minister. It will be a couple of weeks.

Mr. Chairman: Perhaps I could reword it, then. Perhaps you could send us any material you have that you think would be helpful, because we are not sure we have everything you have.

Mr. Tough: we could certainly undertake to ruffle through what we have. Some of the material we got on our trip may have been given to us in confidence. We would like to check with the people who gave it to us, and to the extent that it is appropriate, we certainly would be glad to pass that on to you. Most of us are here in town and we would be pleased if you wanted to talk again, talk in a smaller group or whatever.

Mr. Wildman: One of the recommendations we may make is that you not be here in town.

Mr. McGuigan: I just want to make a comment. The feeling is that this job shedding--it is a term I hate to use, but we have to recognize it is happening--is happening all over Ontario. It is not just in northern Ontario.

Mr. Wildman: Except there are not as many options. That is the problem.

Mr. McGuigan: We agree. Still, the person who loses a farm after three or four generations is just as devastated as the person who loses a job at the smelter.

Mr. Wildman: Sure. Exactly.

Mr. McGuigan: It is the same in the auto factories. A person loses a nice job there at \$20 an hour. The next job he gets is not at \$20 an hour.

Mr. Chairman: I would simply remind you, Mr. McGuigan, that Ontario has a relatively high growth rate at this point and it is occurring in the south.

Mr. Wildman: We have a net outflow in the north.

Mr. McGuigan: I realize that, but within the south there are people

suffering from this restructuring. On an individual basis, it is just as bad on that person whether he is in the south or in the north.

Mr. Wildman: I want to make one comment. To an extent on our trip on this committee, and certainly on the other committee of which Mr. Pierce and I are members, we heard a lot of comments to the effect that the economy is changing, that people have to accept less and adapt. My own personal, deeply held view is that if we are simply producing jobs to get poor people off welfare and into jobs where they remain poor, then we are not doing what we should be doing. It does not pay us very much as a society to get a poor person off welfare and put him into a job that pays so little that he remains poor.

Mr. McGuigan: This is not something that government alone is going to solve. It is going to take industry, the unions and the government.

Mr. Wildman: There is no question about that.

Mr. Chairman: Is it agreed by committee, then, that on Wednesday we will ask the Ministry of Natural Resources to come, and we will proceed from there?

Mr. Aiken, Mr. Shardlow, Mr. Girvin and Mr. Tough, thank you very much for being with us today. We may take you up on your invitation if we need some more help.

The committee adjourned at 6:34 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

WEDNESDAY, MAY 28, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Morin-Strom, K. (Sault Ste. Marie NDP) for Mr. Laughren

Wildman, B. (Algoma NDP) for Mr. Hayes

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

Witness:

From the Ministry of Natural Resources:

Armson, K. A., Executive Co-ordinator, Forest Resources Group

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON RESOURCES DEVELOPMENT

wednesday, May 28, 1986

The committee met at 4:20 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

The Vice-Chairman: We will begin the proceedings of the resources development committee. We are continuing our consideration of the annual report for 1984-85 of the Ministry of Industry and Trade; specifically, the Algoma Steel layoffs. We have before us Kenneth Armson from the Ministry of Natural Resources. Welcome, Mr. Armson; we invite you to take a chair. I presume it is the wish of the committee to ask questions of Mr. Armson. Do you have a presentation to make?

Mr. Armson: No; it was my understanding that I was here at the request of the committee and--

The Vice-Chairman: Thank you, Mr. Armson. I will recognize Mr. Pierce first, seeing that he has a timetable to consider. I will take a speakers' list as we go on.

Mr. Pierce: Mr. Armson, I do not have any questions for you. I am sorry that I am on a running schedule right now and I want to convey my apologies for having to leave. I very much wanted to hear the other questions and the presentations or any information that you can give us with respect to a number of comments that we received in Wawa regarding Natural Resources. I now will have to read them in Hansard. I ask your indulgence if I excuse myself.

Mr. Knight: You hope we ask the right questions.

Mr. Pierce: That is right. I hope you will all ask the right questions. I know that my colleague, Jim Taylor, will come up with the right questions.

The Vice-Chairman: I am sure that other members of committee, as well, will ask good questions.

Mr. Wildman: I regret Mr. Pierce has to leave, but I understand it. Obviously, he has a good understanding of the forestry industry and the difficulties that face a number of small communities. Mr. Armson, thank you for coming before the committee. We have had discussions on many occasions.

As you probably know, this committee was charged with the responsibility of looking at the ramifications of the Algoma Steel announcements of major layoffs in Sault Ste. Marie and Wawa, and the possibilities of making recommendations to the provincial government for a response to assist the communities in adjustment and diversification of their economies.

When we were in Wawa, we had a very good presentation from the township council in conjunction with a gentleman who is well known to you, Jean-Paul Duoreuil of Dubreuil Brothers. He, along with the township council, talked

about the possibility of establishing a number of forestry-related industries in Wawa that might provide significant employment to counterbalance the losses that might occur in the Algoma Steel ore division at Wawa.

One of the proposals was for a thermomechanical pulp plant or a chemi-thermomechanical pulp plant. There were other suggestions. There was a possibility of a waferboard mill or other types of lumber-producing mills, all of which would use timber that is not now being used, such as aspen and birch. Mr. Dubreuil was very emphatic in saying that there was a significant amount of timber committed but not used, particularly hardwood. The reason we have asked you to come before us is to give your side of it.

Before I let you respond, initially I should make clear to you that in his presentation to us Mr. Dubreuil submitted exhibit F, which was minutes his secretary had taken of a meeting of March 4, 1986, at 2:30 p.m. between representatives of Dubreuil Brothers and your ministry, the assistant deputy minister, Mr. McCormack, Mr. Markus of the timber sales branch and others.

In those minutes--I will admit they are Mr. Dubreuil's minutes, not the ministry's--Mr. Markus's comments are characterized as being very critical of Mr. Dubreuil's efforts on behalf of the community and his whole approach with regard to the possibility of allocating committed, but unutilized, timber for such a development. It is only fair that you, as a representative of the ministry, be able to respond and give the other side of it, because I am sure there are two sides to this situation.

Mr. Arnson: Perhaps I may respond. I have read the minutes. I have also discussed with Mr. Markus the meeting and the minutes. To a degree, the minutes reflect one perspective. If you read them, Mr. Markus's concern was not so much over the objective of trying to find some industrial use for wood supply but with the manner and process in which we went about that; "we" meaning collectively.

If I may explain it to Mr. Wildman and the committee, committed wood is wood under licence to a saw mill or pulp mill. It represents a commitment on the part of the ministry. If it is unused--this is particularly true for forest management agreement areas--and the agreement holder cannot use it, then those amounts committed to them by legal agreement under the licence, but unutilized, are put into a surplus and become available.

Mr. Markus was concerned that although the larger part of that is indeed on Mr. Dubreuil's own FMA, there are licencees on the crown units--the Trade and Industry Centre would be the large one--with whom we would have to discuss it. They are not subject to the same rigid requirements concerning surplus. We would have to ensure they understood that although it was committed, they were not going to use it. It was that process Mr. Markus was particularly concerned with.

Mr. Taylor: Can you clarify that? I am still not clear on it.

Mr. Arnson: A licencee has a licence under the authority of the Crown Timber Act, a licence for certain species in a certain area. He may or may not utilize all the wood under that licence.

Mr. Taylor: He leaves the unlicensed species in place.

Mr. Armson: That is correct; unlicensed species or an unlicensed volume of species, for whatever reason.

Mr. Taylor: Okay.

Mr. Armson: Normally, when those licences are reviewed, it is an opportunity for the crown to say: "You have had a licence for X amount and did not use it. Why should we issue a new licence?"

Mr. Taylor: Is there a put-and-take type of clause on an annual basis?

Mr. Wildman: No, it is reviewed after five years.

Mr. Armson: The forest management agreements are very strictly reviewed in terms of what was committed, what the licence-holder said he would use, and what he actually did use. That amount becomes a surplus in the next five-year operating plan. It is a very formal process.

Mr. Taylor: Your surplus is only declared every five years--

Mr. Armson: That is correct.

Mr. Taylor: --for each individual, but it would come up year by year.

4:30 p.m.

Mr. Armson: That is right. As of January this year, the crown management units move into the same kind of process, but obviously they have not historically been part of that. The key point is that where there is a licensee with a legitimate commitment, we would have to discuss with him making that wood available while the licence is in effect.

Mr. Wildman: With regard to the FMA, the point Mr. Dubreuil was making was that any investor, in his view, who would perhaps be interested in establishing a TMP plant, would have to have a longer commitment than five years.

Mr. Armson: Agreed.

Mr. Wildman: The problem was that if you are only going to be looking at surpluses every five years, it is very unlikely you are going to have someone who is going to make a commitment of substantial capital funds because he will not have any long-term assurance that he is going to have the resource he needs.

Mr. Armson: Although the operating plan is for five years, there are 20-year projections.

Mr. Wildman: I understand that, but the surplus is declared only every five years.

Mr. Armson: That is right, but the projections forward on the basis of existing requirements with some factor for normal accretion can be dealt with in a 20-year projection. The only thing that would interfere would be some major catastrophe; then you are out of luck.

Mr. Wildman: Such as a fire.

Mr. Armson: There can well be commitments. From the ministry's side, it is not a question of whether the commitments can be made; it is the process whereby we make the arrangements, if you like, for those commitments of the surplus. In both instances, the two major surpluses of the wood that we are discussing are on forest management agreements. In the one case, the Magpie Forest of Mr. Dubreuil is a very recent inventory.

Mr. Wildman: He has already said he will commit that if the other holders will also commit.

Mr. Armson: Then it is a matter of entering into a discussion with the other licencees who have committed, but unutilized, wood.

Mr. Wildman: Is the Ministry of Natural Resources prepared to facilitate that kind of discussion?

Mr. Armson: We are prepared to facilitate that discussion, but we also believe there should be a clear understanding of what the objective is. I am sure that the committee is well aware, having been in Wawa, that you would have to have some decision about the nature of the utilization that you are looking toward. Obviously, a waterboard mill or a TMP or CTMP mill would be quite a different order of magnitude in terms of amounts and locations. Therefore, that would enter into it.

Mr. Wildman: That leads to the other concern that Mr. Dubreuil's minutes indicate about Mr. Markus's response. According to these minutes, Mr. Markus is said to have said: "He would be surprised if the Ministry of the Environment would allow a pulp mill to establish in Wawa. In his opinion, the MDE would prefer to see a pulp mill built near the Great Lakes." I was under the impression Wawa was near the Great Lakes.

Mr. Armson: Mr. Markus has agreed that at that moment he had a lapse in geography. That is not in contention.

Mr. Wildman: I hope he does not when he is selling timber. He then goes on to say, "He felt there were many other areas better suited for a pulp mill." Does that mean Hearst?

Mr. Armson: No. The committee may not be aware, but one of the areas in which we have a large amount of high-density hardwood available, both from crown lands and private lands, is in the Bancroft area. We advertised, unfortunately at the dip in the cycle of the economy. We have a large amount of wood that is uncommitted and available in that area for what we thought--

Mr. Wildman: I understand. The reason I said Hearst is that, as you know, a proposal has been made for a TMP in the Hearst-Timmins corridor.

Mr. Armson: Yes. In terms of a green-field mill, a brand new, large mill, the Bancroft area was the one we had identified for uncommitted and available wood.

Mr. Wildman: The other concern was that Mr. Markus stated according to these minutes: "He was dismayed at Mr. Dubreuil's way of going about the project. Mr. Markus believes that the local committee should first find a likely candidate and then bring said candidate to the ministry. He emphasized that the ministry controls the wood supply." I am sure he did not have to

emphasize that to Mr. Dubreuil, if that is what he said. That is the whole catch 22 we are in. What the municipality and Mr. Dubreuil are saying is that it is very unlikely you are going to get an investor unless that investor is assured of a wood supply, as well as a market, of course. Okay?

Mr. Armson: Yes.

Mr. Wildman: The Ministry of Natural Resources is saying, "We are not going to assure you of a wood supply until you get an investor."

Mr. Armson: I cannot speak for Mr. Markus in terms of that meeting or exactly what he said. I have the minutes kept by Mr. Dubreuil. All I can reiterate and emphasize is that the ministry is willing to enter into discussions with those other ministries that may have an interest in it, the Ministry of Industry, Trade and Technology and the Ministry of Northern Development and Mines, and with the municipality involved and those who were active there to come up with something that could be put forward as an item an entrepreneur could look at in the marketplace and say, "Yes, I can make my decisions." I have no problem with that.

Mr. Wildman: It is not fair to me to have you answer for Mr. Markus. It would have been useful if Mr. Markus could have come before the committee. At any rate, according to the minutes of what transpired, "Mr. McCormack said the ministry would be willing to study the matter if an interested party were to present himself directly to the ministry."

Again, it is if an investor comes along; that is the problem. Mr. McCormack is saying he is interested. We had representatives of other ministries before us on Monday. The Deputy Minister of Northern Development and Mines, Mr. Tough, indicated that his ministry was prepared to assist in a feasibility study of the market for this type of product. It would help to entice an investor if it could show there was a market. Are we in the situation where the Ministry of Natural Resources is saying, "We are prepared to talk to the various licence holders, but we are not prepared to get involved in this type of discussion until you have an investor"?

Mr. Armson: No. I reiterate and make it very clear that the ministry is ready to sit down with other ministries, other persons and groups, including the municipality, to move towards putting forward an assemblage, if you like, of the appropriate information in terms of wood supply, particularly from our standpoint, and in relation to a number of options in terms of utilization. We are quite willing to do that. In fact, we would be happy to do that.

I think there has been a misunderstanding. I said I would not speak for Mr. Markus, but it has been customary historically for entrepreneurs or people who were interested in establishing mills to come to the ministry in that way. What Mr. Marcus is referring to is the normal pattern, and we have an abnormal pattern here.

Mr. Wildman: Exactly. We are in an abnormal situation.

Mr. Armson: That is correct and we are quite willing and ready to adjust and become helpful and constructive in that.

Mr. Taylor: When we were there, there was a certain flavour of the

meeting with the community through its representatives, and I think the impression that was given to us by--

Mr. Chairman: Jim, we are not getting you on the record.

Mr. Taylor: The impression that was given to us by the gentleman who already had his--what is his name?

Mr. Wildman: Mr. Dubreuil.

Mr. Taylor: His impression must have been contagious because in my view it was reflected by the other people there whom we heard. The thrust of it was not to sit and wait for someone to come to us, but for us to go out and actively promote a particular project that they thought was feasible.

4:40 p.m.

From my understanding, they were seeking at least some comfort from the ministry that it would actively support and not hinder the process. My question is whether you or your ministry is in a position to activate a feasibility study. I am thinking of an initiative on the part of government. This would indicate some sort of commitment to the private sector. If you are initiating a feasibility study and factor in the wood resources, you can anticipate some sort of co-operation should the study work out.

Mr. Armson: We are willing to work with other ministries and other groups on this in terms of forest resources particularly. Our prime concern and responsibility is written in relation to wood supply. In the feasibility study, there are many other factors. There are energy supply and location, and that gets us into aspects relating to environmental concerns. This is one of the reasons I think the Great Lakes, and Lake Superior particularly, are in a favoured situation. Those other areas and ministries must be involved in it.

Mr. Taylor: Everybody's business is nobody's business.

Mr. Armson: I understand.

Mr. Taylor: That is our frustration.

Mr. Armson: You are asking which ministry will take the lead role.

Mr. Taylor: That is right.

Mr. Wildman: To be fair, I think we got a commitment from Mr. Tough that they were prepared to do a marketing study. That is why we asked about this. We wanted to ask someone from the Ministry of Natural Resources to come before us so we would get a commitment similar to that, which I think you have given us now--

Mr. Armson: Yes.

Mr. Wildman:--that the Ministry of Natural Resources was prepared to co-operate with the Ministry of Northern Development and Mines, with the municipality and with Mr. Dubreuil in determining what surpluses might be available and what might be committed to this kind of plan if it were to proceed.

Mr. Armson: That is right, and we would have to discuss it then with the existing licence holder. Concerning Mr. Markus, nowhere in the minutes, and I would like this to be clear, did he not say we would not co-operate. He was concerned about the process. I think that may have been misread as being--

Mr. Wildman: I hope so because it says at one point Mr. Markus interjected that Mr. Dubreuil's main reasons to build a pulp mill were very poor, that is, to release Dubreuil Brothers' softwood.

Mr. Armson: If that were the reason, that might be a poor reason.

Mr. Wildman: It is not poor from Mr. Dubreuil's point of view. He is not completely altruistic.

Mr. Armson: Not having been at the meeting, I just want to make it clear that I do not think Mr. Markus, even by those words, meant to be negative.

Mr. Wildman: Mr. Dubreuil said he believed first that Weyerhaeuser had done a study previously.

Mr. Armson: That was 1974, I believe.

Mr. Wildman: Yes, and they did not proceed. Do you know why not?

Mr. Armson: Yes. As a matter of fact, I can speak to that from both ministry experience and also from having discussed with David McInnes, who was the president of Weyerhaeuser in 1975 and still is, why they did not proceed. At that time, that was a case where a company looked and put together as much information as it could concerning a pulp mill there. Based on volumes of hardwood, much of which was high-density hardwood coming from south of the area about which we are talking, this posed a large number of problems in relation to the volume agreements as distinct from licences, the large number of small operators with those agreements in essentially the Sault-Algonia area.

Mr. Wildman: Around Searchmont and that area.

Mr. Armson: That is right. At that time, Weyerhaeuser did not believe the effort to tie that all together in one assured supply warranted the expense to which they were going. That was what I was told by Mr. McInnes.

We are talking here of a different location. I do not believe Weyerhaeuser was looking at a thermal mechanical pulp or a chemi-thermal mechanical pulp mill, but I think here we are looking at a different location. We are looking at poplar and some white birch primarily. I would point out to you, to our knowledge, there is only one TMP mill using hardwoods anywhere in the northern hemisphere. That is in Scandinavia. All the TMP mills in North America and certainly in Canada operate on softwoods.

Mr. Taylor: Has the technology changed since then, in the past 50 years?

Mr. Armson: Yes. There are very few examples of the Scandinavians' technology for TMP and, more particularly, for CTMP, that is a chemical pre-treatment. To our knowledge, only one mill in Scandinavia is using that process, but apparently quite successfully. Speaking as someone not intimately versed in all the conversion processes, I understand the problem was bleaching

the hardwoods to produce a higher grade material or a satisfactory material. The technology is available, but the only TMP mill operating in Ontario is at Kapuskasing and it operates on softwoods. All the other mills in Canada, by and large, operate on softwoods.

Mr. Wildman: I have two questions. Mr. Dubreuil was discussing the Weyerhaeuser study with the ministry and he estimated there was one million cunits annually of unutilized, committed timber in that area. Do you think that is a legitimate figure?

Mr. Armson: I cannot speak to that. Our district manager in Wawa made our information available to Mr. Dubreuil concerning the poplar and birch in the crown management units and the two forest management agreements in that area. I would not care to speak to the information from Weyerhaeuser of 1974 and anyone's interpretation of that.

Mr. Wildman: In the letter dated December 18, 1985, from district manager Cam Clark, submitted to us by Mr. Dubreuil, he talks about the Jackpine River CMU, the Wawa CMU, the Tik CMU, the Lake Superior Provincial Park CMU, the Austin CMU, the Magpie Forest and the White River Forest for a total of uncommitted net merchantable, 138,162 cubic metres, and 839,092 cubic metres committed. That is a grand total of 977,254 cubic metres. How does that translate in cunits?

Mr. Armson: If you divide it by three, you come reasonably close. It is somewhere around 300,000 cunits.

Mr. Wildman: There is quite a difference between the 300,000 in Mr. Clark's letter and the one million Mr. Dubreuil estimates.

Mr. Armson: I made the point that the Weyerhaeuser survey was of a much different area. It included part of this and included tolerant hardwoods. We are not talking about the tolerant hardwoods in this.

Mr. Wildman: Could you provide the committee with a map of the Sault Ste. Marie district and the Wawa district showing the crown units and the FMA areas?

Mr. Armson: I have with me a map of the province showing all the crown units and all the FMAs. The Magpie is in here. I would be happy to provide this. We can get you a better quality map than this. I brought this for you to see, but we can supply the committee with a series of maps highlighting the area.

Mr. Wildman: I am not sure how much detail we need, but it would be useful for the committee members to see what areas we are talking about. The other thing we need is an estimate, if the ministry has it, of the total committed but unutilized timber in those areas by species.

Mr. Armon: Are you asking for that for areas outside the management units stated in Mr. Clark's letter?

4:50 p.m.

Mr. Wildman: I am talking about the Sault Ste. Marie district end.

Mr. Armson: We will do that, Mr. Chairman. I can leave the map with you, but we will have other copies available.

The Vice-Chairman: Mr. Wildman, clarify your needs in regard to maps.

Mr. Wildman: It would be useful for the committee to determine the areas in which timber is available and how distant they are from Wawa. It would not do us much good if we as a committee said that there may be timber available and recommended that the Ministry of Natural Resources enter into discussions with the licence holders and the Ministry of Northern Development and Mines to facilitate the commitment of timber, if the timber we are talking about is hundreds of miles away.

The Vice-Chairman: I would suggest, with the request of Mr. Wildman to supply the inventory of wood in the Wawa and Sault Ste. Marie area, that you supply subsequent maps explaining that inventory and showing locations.

Mr. Armson: I will.

Mr. Taylor: I am interested in this area, because what is good for Wawa or Sault Ste. Marie is good for Ontario. Ontario is a big province, and there is a lot of wood. I know it is not limitless and I appreciate the need for wise management, but it strikes me that if there is a will there is a way. If there is a will, it has to be economically viable.

Have you, your ministry or anyone in government given thought to a mill of any type--I do not want to be technical about it, because I am not competent enough--that would be commercially viable in this general area?

Mr. Armson: First, the one area we have looked at in the past few years in terms of a brand-new mill is Bancroft, because of the uncommitted and available source of heavy hardwoods for a specific type of mill. In the boreal or central and northern part of the province where we do have unutilized and in some cases uncommitted wood, we are for the most part looking back from Lake Superior, and in terms of a major pulp or paper mill. It has been our understanding that once you move back from that location, the Ministry of the Environment has grave concerns about putting in a new, large facility.

Historically, the surpluses have often been moved via sawmills in the form of chips to already existing large pulp mills. Investments and purchases have involved mainly existing mills. For example, the Marathon pulp mill, which was sold to James River-Marathon Ltd., was a classic case of an older mill on Lake Superior being bought and made profitable by another owner, rather than a case of building a new mill.

The matter of location of wood is one thing. There is also the matter of being able to put the mill into position, as separate from moving the wood through existing or enlarged existing facilities.

Mr. Taylor: If you are dealing with too fixed a fence, the mill on the one hand and the resource on the other, I can appreciate some problems. However, it strikes me that since 1974, when Weyerhaeuser Canada Ltd. considered a mill, there have been a lot of changes in terms of technology and government posture, particularly in regard to environmental issues.

It would be nice if we had federal and Ontario programs in terms of upgrading--especially that of the environmental aspects--rather than adding on. You reach a point where it is sometimes cheaper in the long run to start fresh with a new facility than to start adding bits and pieces and find that what you really have does not produce the most efficient product in terms of

competition in the marketplace. Are you aware of anyone in government, in your ministry or otherwise, who has turned his attention to the viability or feasibility of a mill? Are we starting with a bias that this thing is crazy?

Mr. Armson: No, I do not think so. I hope I have made it clear that in terms of a location on Lake Superior and availability of a certain type of wood, probably we are looking at something that has some very positive elements in this particular situation. What we see is that the entrepreneur and the investors, almost without exception, have put their money into modernization of existing large facility and that has been related to the new technology. An example is the new TMP mill at Spruce Falls. What has then come about is a shift in the way in which wood flows to that mill. Rather than coming in as almost all round wood from the historic company licensees, much more of it is moving through very modern sawmills.

It is not a black or white situation. What has happened is that there is largely a change in investment in relation to either existing facilities or a shift in emphasis to the sawmill as the initial prime converter, with the subsequent flow of chips. You can transport chips very great distances. That distance factor does not become as critical as it is if you are moving roundwood.

Mr. Taylor: Implicit in my remarks and question was the role of government, which induced the modernization and the resolution of the environmental problems, where government poured in \$500 million into the industry in a Canadian program. I do not know what Ontario got, although I gather it was considerable; I heard a figure in the area of \$500 million.

Mr. Armson: The modernization in Ontario that you are referring to was really a relatively small amount.

Mr. Taylor: How many million?

Mr. Armson: About \$150 million or \$160 million as compared to the \$1.4 billion--

Mr. Taylor: Whatever. They are big dollars to me. In any event, what I am saying is with that type of government encouragement, I can see a company going one way or the other. It does not detract from government encouragement in terms of a mill that is starting fresh in the proper place.

Mr. Armson: That is true. It is not for me, though, to comment on government encouragement. That is a decision which lies elsewhere.

Mr. Taylor: That is right. My question and my concern is whether, with regard to a full feasibility study or even a prefeasibility study, you have a notion that this thing makes some sense. The impression I have from listening to the people in that area is they have the resources, willing workers and desire to make this thing happen with a little direction, co-operation and help.

Mr. Armson: If I may respond to that, we are not negative. We do have a caution--and we are talking now about TMP or CTMP--in terms of wood supply. The large, uncommitted and available materials are in poplar and birch.

Mr. Wildman: That is Mr. Dubreuil's argument basically.

5 p.m.

Mr. Armson: If we look at utilization in one of these newer technology mills, all we are saying is there are no existing mills of that type in this country that have been utilizing that material. We want to look very carefully. We believe the Scandinavian mills are doing very well. Perhaps what is needed is something new like that. We want to look at it and make sure they are not, in their enthusiasm, going with an available wood supply rather than to a major investment and a marketplace that may not--and I qualify that very much--turn out as is expected.

Mr. Taylor: We have to bear in mind that it is a community that is going out and promoting the sale of something. It is not the private sector coming in and wanting to get into something. Your mentality has to be a little different.

Mr. Morin-Strom: Mr. Dubreuil, who runs private sector business directly in it, is heading up the committee that is advocating it.

Mr. Wildman: He has made it clear that he does not want to invest in it.

Mr. Taylor: He is not investing in it. It is the community that wants something on the shelf to get out there and sell.

Mr. Wildman: When I said that, Mr. Armson reacted. To be fair to Mr. Dubreuil--and none of us here can speak for him--he indicated that if there were a consortium, he might be involved. He does not want to do it himself.

Mr. Taylor: If he has something to sell, he is going to sell it. Let us face it: He will plot for himself to maximize any returns he can on whatever his interests are. That is only to be expected. What the community and Mr. Dubreuil are really talking about is putting together something and saying, "Here, this is what we have." Then they get out and promote it.

Mr. Wildman: Yes. They want to promote it.

Mr. Armson: Mr. Taylor, the marketplace is the world, not the outskirts of Wawa. It would be unfortunate if, in their enthusiasm, they lost sight of the fact that market pulp has not been exactly the most appropriate commodity in the world marketplace. It is true that we anticipate there will be a small or, if you like, some significant increase in the next 10 years. We are looking forward. We would not want a community or a group of individuals to have its hopes raised and then fall apart because of that. Therefore, we want to proceed, but with the reality of--

Mr. Taylor: I am not proceeding from the premise that there is a market. Presumably, the feasibility study would determine whether it was economically viable. You would be looking into markets.

I am not forming an opinion and then saying, "Go and do it." Somebody should take some initiative to determine whether it is viable.

Mr. Wildman: It is important for all of us to recognize that the community of Wawa made a very realistic presentation to the committee. I think all members of the committee would agree with that. They had initiative. They came out and looked at possibilities. They said, "We realize there has not been a market study." Basically, they were asking two things with regard to

the thermomechanical pulp. One was that the Ministry of Natural Resources commit itself to becoming involved in facilitating discussions that might then lead to a commitment of timber if the project were to proceed. The second was that the provincial government, probably through the Ministry of Northern Development and Mines, facilitate a feasibility study of the market and so on to determine whether such a project should proceed.

If the feasibility study showed that it should not proceed, that was fine; that is what they want to know. They do not want to go around with a project that is not viable. They have enough problems right now with projects that certain companies are indicating may not be viable.

Mr. Arnson: We have no problem with that.

Mr. Wildman: The other thing is that Mr. Dubreuil was not parochial in his presentation. He gave us examples of what was happening as someone who has been involved in the sawmill industry for some time in the Maritimes and in British Columbia. He was cognizant of the situation with regard to the market.

There is one other thing. I do not want to make this too complicated for the Ministry of Natural Resources staff, but when I requested inventory and maps, I said just the Sault Ste. Marie and Wawa districts. I suspect it would also be useful to have the Chapleau district.

The Vice-Chairman: May I ask for a point of clarification? I was not able to attend your tour of investigations in Wawa and Sault St. Marie. When you are talking about mostly aspen-type woods--poplar and a bit of white birch--why are you talking pulp processes and not waferboard products?

Mr. Wildman: That was the question I was leading to. I yielded the floor because I thought I had used up too much time, but that was a question I was saving until later. If you would like me to put it now, I will do that.

The reason I emphasized thermomechanical pulp before is that this was the first priority the community was talking about. It also talked about waferboard or particle board.

Mr. Arnson: And medium-density fibreboard.

Mr. Wildman: And fibreboard. Do you believe that one of those might be viable in the current market situation? This is one question for which I was hoping Mr. Pierce would be here, because he has raised it a number of times. In the current market situation, what are we looking at? We have had the announcement by Great Lakes Forest Products, for instance. Where are we with regard to the market? Second, is timber available for those kinds of operations?

Mr. Arnson: Concerning the timber supply, a waferboard mill or an MDF plant, although not in that location, because of the kind of wood. Again, you tend to use the heavier hardwoods, which would be found south of there. Those are all alternatives, and we hope they will be considered in the feasibility study. If you locked yourself into only one kind of plant and one kind of marketplace in this situation, you would be turning a blind eye.

Mr. Wildman: You said waferboard and--

Mr. Armson: MDF, medium-density fibreboard. There are a number of different ways--they take different amounts and kinds of wood. To my understanding, the MDF plant would take a heavier hardwood than poplar and birch, primarily. Waferboard would be poplar or aspen.

Mr. Wildman: If you were going further south into the Sault Ste. Marie district, maple would be available.

Mr. Armson: You would be looking for maple. Again, we would get into the same problem Weyerhaeuser had, but the quantities would be a key there.

Mr. Morin-Strom: I am interested in the allocation of woods and the uncommitted supply of woods, particularly in the Sault Ste. Marie area, in relation to what we have heard on the Wawa area. In a general sense, what is underutilized today in the Sault area?

Mr. Armson: I do not have the figures with me, Mr. Morin-Strom, so I cannot answer definitively. The management plans for the northeastern region, which includes the Sault Ste. Marie district, were completed within the past two to three years so that we have relatively up-to-date information. In general, there is very little uncommitted, or committed and available. That will vary somewhat with species, and I am sorry I cannot tell you what the precise balance is.

Mr. Wildman: Excuse me. "Committed and available" is not the same as "committed and surplus," is it?

Mr. Armson: No. I am distinguishing between committed and nonutilized, and uncommitted. Availability is another factor that comes into it.

Mr. Wildman: Sure. It might be in an inaccessible place.

Mr. Armson: That is right. It might be economically available now but not later, depending on the market and so on.

I cannot give you a definitive answer, but, by and large, the supply of raw material, wood, and the mill demands are very close for the most part. Concerning the hardwoods, I would have to look at that, because quality would enter into it and it has a distinct bearing on how it is used. A good part of the hardwood there is going into lumber.

Mr. Morin-Strom: Are you saying about the hardwood species that you are not sure whether wood is available?

Mr. Armson: That is correct. When we put together the information that is being requested for the committee on the wood supply in that district, we will have definitive information.

5:10 p.m.

Mr. Morin-Strom: In the Sault area there have been a couple of concerns expressed about specific supply problems. One of them is about small lumber mills. A number of smaller operations have started up in recent years. My understanding is that the crown land is all committed to St. Marys Paper or G. W. Martin Lumber. These small mills have to get an agreement with one of those two, or else they have to get access to some of the private lands, which I understand are quite considerable, in the Sault area. Can anything be done to relieve the problem faced by the smaller lumber mills?

Mr. Armson: I have had some discussions personally with one of those mill owners. The mill was put in place without any commitment from the ministry. In fact, it was very clearly specified that we did not have wood available. When the present owner took it over, he was utilizing wood that he obtained either from the Algoma Central Railway or from another licensee. More particularly, and I think more recently, he had been importing logs from Michigan. That is fine, but because of some change in the economics of the supply of logs, particularly from the United States, there was a request to make available to him crown timber. Unfortunately, that crown timber is all committed and is not surplus to those existing licensees.

Mr. Wildman: It is not surplus?

Mr. Armson: It is not surplus.

Mr. Wildman: Is there any way for us, in addition to finding out what is on the crown management units and the forest management agreements in those three districts, to find out what is on the ACR lands?

Mr. Armson: You would have to discuss that with the ACR.

Mr. Wildman: As I said last session, the Algoma Central and Hudson Bay railway was given those lands as part of a commitment to build a railway to Hudson Bay, and it never got past Hearst. I would think there are substantial lands from which the ACR makes a good deal of money. Certainly ACR has indicated to this committee some difficulties it will experience if the Algoma Steel Corp. cuts its operation at Wawa.

This committee should consider very carefully the obligations the ACR may have in terms of its forestry resources to help the economic development of the whole area. That is just my opinion.

Mr. Morin-Strom: In a related vein, given the fact that the ACR controls a considerable amount of land in the Sault and Wawa areas, and given that in the Sault area specifically there is a lot of private land, why has the ministry never taken a position that one of the responsibilities of the management of our forest resource is that private land as well should have to be managed on a sustained-yield basis with proper management of that resource?

Mr. Armson: We have taken the position that private woodlands should be managed and we have provided a number of programs and incentives for that, not so much to the large industrial owner as to the smaller nonindustrial private land owner. We have a number of programs, such as a woodland improvement program.

To answer your question very directly, whether the government wishes to bring forward legislation to control the practices of woodlands on private land is, I submit, an issue that many professional foresters, including me, have brought forward. I suggest it is a matter for governments to deal with.

Mr. Wildman: It was a matter that was addressed by the governments of Sweden and Finland around the turn of the century.

Mr. Armson: Many other jurisdictions have it. You do not have to go that far. You can go to a number of the United States and find the same thing, such as the Forest Practices Act. California, Oregon and North Carolina--I think there are something in the order of 13 or 14 states. I am suggesting that the knowledge and implications of such legislation are well known to the professional forestry staff of the ministry.

Mr. Morin-Strom: Has the ministry investigated in detail the types of management controls that exist in the Scandinavian countries on what I understand to be heavily private lands where their forests are located?

Mr. Armson: Some four years ago this ministry published a very voluminous green paper on the subject of private land forests for all the North American jurisdictions and some 13 countries, including Scandinavia. In that review the policies, legislation and implementation of those policies are clearly set forth. It is available as a green paper entitled Private Forest Lands: A Public Resource. I would be quite happy to provide copies to the committee, Mr. Chairman.

Mr. Morin-Strom: Another major issue in the Sault area, which I do not think we have heard about in the committee hearings at all, is the possibility of a major expansion of the operation of St. Marys Paper.

Mr. Armson: I have no knowledge of that and, to my knowledge, it has not been discussed with anyone on my staff.

Mr. Morin-Strom: Oh, come on. Somebody in the ministry must know. This was a major announcement in the last year by the company that it intended to more than double the size of its operation and was moving ahead on investment plans with its Finnish major shareholder, not a majority shareholder but the major shareholder, to more than double the size of its operation in Sault Ste. Marie. It was only late last summer that it questioned the marketplace and whether it should be moving ahead, and it was put on hold. I am surprised you have never heard of this.

Mr. Armson: I am suggesting that we have had no discussions with the company concerning any increase in wood supply commitment. As I have told you, the wood supply is very tight in that area, and therefore we are not involved in discussions with St. Marys on that subject.

Mr. Morin-Strom: St. Marys Paper gets wood supplied well out of the Sault area, a good portion of it. Are you saying that you suspect the wood supply would not be available?

Mr. Armson: No. I would want to look at it again, but I am not aware of discussions along those lines with either me or my staff here. There may have been some discussions with the field staff that we are not aware of.

Mr. Morin-Strom: Can you briefly describe the distinctions among thermomechanical pulp, chemical thermomechanical pulp and the types of pulp that are more typically produced in Ontario, most particularly the pulp that would be produced at St. Marys Paper, and whether they are interchangeable? For example, could the pulp from Wawa be used in an expansion of the St. Marys Paper operation?

Mr. Armson: First of all, I am not an expert in the pulping industry. I will give you my understanding of the processes, and it may be limited.

The normal so-called ground wood pulp is derived in the conventional way of putting roundwood logs between two stones that grind them. Much of that goes to newsprint. I believe it is the type of pulp that is produced at St. Marys and is going into the so-called supercalendered stock, which has a good place in the market.

The thermomechanical process is one in which the material, in the form of chips, is pretreated, usually by steam heat--thermal--and then goes into a so-called refining process in which the chips are then reduced in size. The key point about the difference between the ground wood and the thermomechanical is that there is a much higher energy requirement per unit for the thermomechanical, but the yield in solid pulp per unit of solid wood going in is much greater. In the ground wood there are a lot of fines. This has been a problem with many pulp mills in terms of the environment. The suspended solids are very fine fibres that go through. I understand it is minimal in the thermomechanical process.

5:20 p.m.

In the so-called chemi-thermomechanical process the chips are treated with a chemical--and here again, I understand it is hydroxide and so on. Then they go into a heating or steam process and through the refiner. That is called a chemi-thermomechanical process, or CTMP.

The other conventional pulping process is the kraft pulp process which was introduced mainly in the late 1930s and which has been a source of kraft pulp for packaging and so on. It allowed the use of pines rather than spruce, although it can be used, as distinct from the sulphite process for spruce. Those are chemical processes that have been standard for many decades. There have been refinements in them, but those are the key processes. The ground wood, the TMP and the CTMP, both relatively new processes, and the sulphate and sulphite process.

Many of the sulphite mills are being replaced historically by TMP mills, and then the TMP pulp feeds into whatever the product is, newsprint and so on.

Mr. Morin-Strom: In terms of grade or quality of pulp and market value, is there a distinction between them?

Mr. Armson: There is, but I cannot give you any precise details. As I mentioned before, the existing TMP mills, and for that matter the CTMP mills although there are fewer, have essentially operated on softwood rather than on hardwood. In this sense, we are talking about poplar. There are quality differences there in the fibre that is produced, but I cannot speak to the differences in detail.

Mr. Morin-Strom: The C stands for chemical?

Mr. Armson: The C stands for chemi- in chemi-thermomechanical, CTM.

Mr. Morin-Strom: You mentioned that to your knowledge there is only one TMP mill.

Mr. Armson: In Ontario.

Mr. Morin-Strom: No, using hardwood, there is only one in the world located in Scandinavia.

Mr. Armson: To our knowledge, yes. There may be more, and apparently it has been successful in Scandinavia. I believe it is in Finland.

Mr. Morin-Strom: What is it using?

Mr. Armson: It is using poplar.

Mr. Morin-Strom: You qualified it before as being in the northern hemisphere.

Mr. Armson: I cannot speak to the southern hemisphere. Eucalypts are being used with pinus radiata in both Australia and New Zealand. I have a little knowledge of that. I cannot address the use of hardwood species other than what we have in this part of the world. We do know there is a large amount of eucalyptus pulp coming on the market which is a very high quality.

Mr. Morin-Strom: Has the ministry been involved in analysing what types of alternative use for our wood resources might make best sense in northern Ontario in terms of producing higher-value-added products?

Mr. Armson: Over the past one or two decades, we have been active in encouraging the movement of roundwood into sawmills and the subsequent flow of chips to pulp mills. In the past decade and a half, from about 1970 to 1984--I think that is the last time for which we have any figures--that increase is a factor of threefold or fourfold. We are talking about two million cubic metres rising close to six million cubic metres. That provides for a higher value added if you move your roundwood into your sawmill, because you get better utilization all round and you have a higher value added.

Mr. Morin-Strom: That is putting the emphasis on volume as opposed to high-value-added product, if it is fine papers or tissue papers if you are talking papers or if you are talking about producing wood products out of the lumber instead of shifting the raw lumber.

Mr. Armson: The waferboard industry has made a major expansion, and in Ontario there are about four or five mills operating. I cannot be exact. Those have a higher value added and they have used aspen in many areas where before there was no utilization at all.

Mr. Wildman: I know you are talking about utilization but earlier you did not comment--and maybe you do not have the expertise to comment--on the market situation, since we have had the announcement by Great Lakes Forest Products and the closure of the waferboard mill.

Mr. Armson: I cannot in any way be knowledgeable about the niceties or the marketplace. From studies that were made by one or two companies some time ago, I know that the waferboard matter is related to an increasing supply from the lake states.

You must realize that Canada, and, to a degree, Ontario, has enjoyed a major advantage for some years. It was the only producer of waferboard, and had a market in Chicago, the middle states, and indeed the northeastern states. The lake states have now come on to production and have displaced some of that market in the central part.

I understand that we do have a continuing market for Ontario and, to some degree, Quebec waferboard in the US Northeast, where they do not have much poplar. That has been a maintenance factor, but that means the location of your mill, your transportation, and the economies of the Northeast have become significant.

Mr. Wildman: Mr. Chairman, I have to leave briefly to speak in the House on the debate, but I will be returning if we are still in session at that time.

The Vice-Chairman: Okay.

Mr. Morin-Strom: There is one final thing I would like to get your reaction on. Do you know Garrie Styan?

Mr. Armson: Yes, I have met Mr. Styan. He works for one of the consulting firms.

Mr. Morin-Strom: An economist with Reed-Woodbridge Associates.

Mr. Armson: Yes.

Mr. Morin-Strom: Interestingly, just today I was reading the latest issue of Professional Forester. It came into the office last Friday. Mr. Styan was a guest speaker at the 1986 annual meeting of the Ontario Professional Foresters Association. He made some comments that may be relevant.

The article says: "In regard to wood supply, Mr. Styan was optimistic about the future role of aspen in the Ontario forest products industry. He explained that for emerging technologies like high-yield chemical-mechanical pulp, aspen is the best wood available. Garrie Styan felt that there has not been a better time for entrepreneurs in the forest industry but the way in which the Ontario government views resource industries makes the climate difficult. He pointed to the example of Quebec where teamwork between industry, government, unions and Quebec Hydro make a political climate which is attractive to investment."

He is obviously focusing specifically on the kind of area that Wawa has been advising. He is saying there are some problems with the Ontario government's view of the resource industry. What do you think is the problem? Do you have any idea of what he is referring to?

Mr. Armson: Mr. Styan has defined the problem. I did not define the problem. He has defined it, in his opinion. I do not think it is appropriate for me to try to read his mind as to why he defined the problem. He has made a statement, and that is that.

Mr. Taylor: You have redefined it in your question. Revisionist.

The Vice-Chairman: Any further questions to Mr. Armson from the committee? On behalf of the committee, I want to thank you very much for appearing before us. I found it very helpful, and I am sure other committee members did. I am sorry we zinged you with a tough political question at the end, but we have to try.

Mr. Armson: I understand, and I thoroughly enjoyed it, Mr. Chairman. I will ensure that you have the material on the three districts of Sault Ste. Marie, wawa and Chapleau, as well as the maps to go with it.

The Vice-Chairman: Thank you very much. Is it the committee's wish to carry on today and look at the recommendations?

Mr. Taylor: Maybe we should wait until the real chairman is present. Seriously, it might be--

Mr. Knight: Not to suggest that we have a full deck, but a full house.

Mr. Taylor: We have an emergency debate on in the House and some members are absent. I think they should be present, that is all.

The Vice-Chairman: Mr. Taylor's point is well taken. Does the committee concur? All right. We will adjourn until Thursday afternoon.

The committee adjourned at 5:31 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT
ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
THURSDAY, MAY 29, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Morin-Strom, K. (Sault Ste. Marie NDP) for Mr. Ramsay

Wildman, B. (Algoma NDP) for Mr. Hayes

Also taking part:

Pouliot, G. (Lake Nipigon NDP)

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

Witness:

From the Ministry of Northern Development and Mines:

Fontaine, Hon. R., Minister of Northern Development and Mines (Cochrane North L)

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, May 29, 1986

The committee met at 4:11 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
(continued)

Mr. Chairman: The standing committee on resources development will come to order. I understand that yesterday, perhaps in spite of or because of my absence, the committee completed dealing with witnesses, which is a very good thing. The committee members have a summary of the options that have been put before the committee, which has been prepared by Ms. Madisso.

Mr. Wildman: Where?

Mr. Chairman: I believe it was handed out yesterday.

Mr. Wildman: That was after I left. I went to speak in the House.

Mr. Chairman: We can get you one.

Mr. Wildman: I have it here. I just did not look at it.

Mr. Chairman: Unless there is some other business the members of the committee want to raise before we start into this, I suggest we deal with the options one by one and decide which we want to put in our recommendations. Does it seem appropriate to the committee to deal with them in that way, to go through them and say, "These are the ones we want, these are the ones we do not want and these are the ones that are not here but should be here"?

Mr. Wildman: I accept that, except that I would also like to add some sort of preamble. It is not enough for us simply to lay out the options. In our report we must talk about the current situation and have a preamble to the effect that we are recommending the provincial government institute a rescue package for these communities. I will not go on at any length.

Mr. Chairman: That is a reasonable request which we should do for sure. We do not want to give just a bald set of recommendations. A preamble always includes a certain amount of rhetoric and Ms. Madisso will have no trouble cranking up for that.

Mr. Morin-Strom: That will include an overall assessment of the situation and a background description of what we have heard in terms of the situation facing the community.

Mr. Chairman: It would be nice if we could agree that we do not want a large document, but I agree with you totally that there needs to be background and a set of recommendations.

Mr. Wildman: I agree.

Mr. Chairman: By the way, it would be helpful to Ms. Madisso--

Mr. Morin-Strom: A summary or appendix of each of the--

Mr. Wildman: I do not think that is necessary.

Mr. Chairman: May I suggest that if any members of the committee, particularly from the Sault Ste. Marie-Wawa area, are adept at putting pen to paper, they should not hesitate to submit something in the form of a preamble. It would be very helpful to Ms. Madisso and the committee. Do not hesitate to do that. I am quite serious. If you have a good sense of the history and background, that would be helpful.

Mr. Morin-Strom: I could probably find something in some of my speeches.

Mr. Chairman: I suppose there is a remote possibility.

Mr. Wildman: That might happen.

Mr. Chairman: Is there anything else before we move on to the recommendations?

Mr. Wildman: We have just said we would like to have a short preamble with the background and the current situation. What I am suggesting is, "We as a legislative committee are recommending that the provincial government be directly involved in a rescue package for these communities in concert with the federal government and the municipalities." For instance, if you look at the presentation that was made to us by the township of Michipicoten, there is material that basically describes some of the background and what it expects of the provincial government. I am suggesting that should be a sort of overall recommendation.

Mr. Chairman: Okay.

Ms. Madisso: Do you want that to be your first one?

Mr. Wildman: Yes.

Mr. Chairman: Is the committee ready to proceed with the list of options that were presented or suggestions that were put to the committee?

The first set deals with Wawa and district.

"1. The provincial government should assist with the establishment of a thermomechanical pulp mill or a waferboard/OSB plant...." What does OSB stand for?

Ms. Madisso: Beats me.

Mr. Chairman: "...a medium density fiberboard plant or a construction plywood plant. The government can do so in a number of ways:

"(a) by releasing, on a long-term basis, the surplus of unutilized fiber in the area,

"(b) by publishing, as the provinces of British Columbia, Alberta, and Newfoundland publish, the extent of such surpluses, and

"(c) by providing incentives comparable to those provided by the governments of Newfoundland, Alberta, and British Columbia."

Mr. Wildman: Rather than say "releasing," I would say "committing," and further to that I would have it that "the Ministry of Natural Resources become actively involved in negotiations with the various licence holders."

Mr. Chairman: Are you talking about 1(c)?

Mr. Wildman: I am talking about 1(a).

Mr. Chairman: You are still on (a); okay.

Mr. Wildman: I would have "the Ministry of Natural Resources become directly involved in facilitating discussions with the various licence holders for the release of committed but unutilized fiber." I am suggesting there be an active role by the Ministry of Natural Resources in this process and that it not wait until there is an investor with a proposal, but rather do it in advance.

Further, I suggest that we recommend that "the Ministry of Northern Development and Mines provide expertise and funding for a feasibility and marketing study to determine whether a thermomechanical, waferboard, fiberboard or plywood plant, or a combination of them"--I do not think it is one or the other; it is one or perhaps a combination of a number of them--"are feasible." I am talking about funding a feasibility study that will look at the market possibilities.

Mr. Chairman: Correct me if I am wrong, but you are saying that in recommendation 1 there should be a study done to determine if (a), (b), and (c)--not quite that, but the first thing that should be done is a study to determine--

4:20 p.m.

Mr. Wildman: To determine whether it is feasible to establish a TMP, waferboard, fiberboard or construction plywood plant or some group of them in the Wawa area. We were told when we were there that there is fiber available, but they themselves admitted that they had not done any marketing studies and were looking for a feasibility study to be carried out. Mr. Tough, when he appeared before us, indicated the ministry was interested in perhaps pursuing that and we, as a committee, should recommend that it go ahead with it.

Mr. Chairman: I suggest then that the last sentence, "The government can do so in a number of ways" should be taken out if the first part reads, "The government should conduct a study to determine the feasibility of...."

Mr. Wildman: Yes. I think we should say "marketing" too.

Mr. Chairman: "At the same time the government should release on a long-term basis," et cetera.

Mr. Wildman: Or "commit."

Mr. Chairman: Or "commit on a long-term basis."

Mr. Wildman: Mr. Chairman, I do not know whether you think this is appropriate, but it would be useful for us to mention the specific ministries,

Northern Development and Mines re the feasibility study and Natural Resources with regard to the committing of timber.

Mr. McGuigan: That is covered in a general way by "the government."

Mr. Wildman: Yes, but the problem we have, and I think even Mr. Armonson admitted it yesterday, is that Natural Resources has not been seized of the special situation. They need to have it impressed on them that they should not necessarily treat this community in the way they normally treat every community, which is to wait for an investor to come along with a proposal before they look at whether there is timber available.

Mr. Chairman: We will reword these and bring them back to the committee, of course, but are there any problems in principle?

Mr. Wildman: I am wondering whether we should be saying (c) without really knowing what those incentives are.

Mr. McGuigan: I have some trouble with (c) because, when you turn to British Columbia, you are really talking about a subsidy. Just to move in and subsidize a new set of producers that have to compete with established producers, and also in face of the other events that are happening in the free trade negotiations, which we have had brought forcibly to our attention on the snakes and shingles, gives you the snakes. I have trouble saying flat out that we are going to subsidize. There may be ways of providing some incentives, perhaps low-cost loans and direct money going into the plant, things of that nature, but actually to say we are going to give \$10 a ton or \$20 a ton--

Mr. Wildman: Why do we not reword this to the effect that "the government should investigate ways such as low-interest loans that would put the"--

Mr. McGuigan: Accelerated depreciation.

Mr. Wildman: The sort of thing that "might make investment in such plants more attractive and on a more competitive footing with other provinces."

Mr. Chairman: Is that okay? Should we investigate that? We will move on to 2.

"2. The provincial government should relocate some of its offices to Wawa."

Do you want to be more specific?

Mr. Wildman: I do not think so. I would like to make it a little wider. I do not know whether it is appropriate, but I think we could say, "In line with the views expressed publicly by the Minister of Northern Development and Mines, this committee believes that the government should embark on a major decentralizing program into northern Ontario and that some offices be located in Wawa."

Mr. Chairman: Would it be helpful to ensure that the preamble includes a comment about that and then reinforce it here.

Mr. Wildman: Yes.

Mr. McGuigan: I agree with some decentralization in bringing these

offices to northern Ontario, but I have some misgivings as to whether you are going to get them in a community that small.

Mr. Wildman: That is why I would not like to try to delineate what offices they could be.

Mr. Chairman: The reason I said he might want to be more specific is that perhaps Mr. Wildman thought the office of the parliamentary assistant to the Minister of Natural Resources should be in Wawa.

Mr. McGuigan: I am a southern boy.

Mr. Wildman: I have already suggested on another committee of which I am a member, much to the consternation of some senior bureaucrats, that only the deputy minister and his immediate personal staff in the Ministry of Northern Development and Mines should be in Toronto.

Ms. Madisso: Which minister were you quoting when you said--

Mr. Wildman: The Minister of Northern Development and Mines-(Mr. Fontaine).

Mr. McGuigan: Are we not talking about moving something of some significance, rather than just a two-by-four office? I question whether we should be holding out expectations that probably will not materialize.

Mr. Chairman: If you are talking about the Sault, it would probably be more---

Mr. Wildman: The people of Wawa recognize that they are a "subregional centre," and maybe we should use that term. They use it themselves. They do not see themselves as a regional centre, but they are a subregional centre. As a result, they believe that there might be some possibility of locating further provincial government offices in their area. I would not go any further than that. I do not think that we as a committee have any way of knowing what is possible or even desirable in Wawa in this regard.

Mr. Chairman: What are the wishes of the committee?

Mr. Wildman: I am suggesting that we recognize or use the term. In their presentation, they referred, and I think the chamber of commerce also referred, to Wawa as a "subregional centre." If you look at their presentation and the actual wording they use, "that Wawa be recognized as a subregional centre in line with the"--

Mr. McGuigan: We could say "appropriate to."

Mr. Wildman: Yes; "something appropriate to a subregional centre," following through with what we have just said about the comments of the Minister of Northern Development and Mines about decentralization into northern Ontario.

Mr. Chairman: Can we move on to (3)?

"3. The provincial government should extend Highway 667 to Highway 144."

Mr. Wildman: I know the chairman will be very much in favour of this.

Mr. Chairman: As long as it does not--

Mr. Stevenson: Go through any wetlands.

Mr. Chairman: --go through any wetlands.

Mr. Wildman: I think we should add the reasons that are proposed. The reason suggested by the community was that it would shorten the trucking distance between northwestern Ontario and southern Ontario. This would lower transportation costs, not just in Wawa but also throughout that part of the northeast.

Mr. D. W. Smith: It makes two hours' difference.

Mr. Chairman: I do not know how much to extend this, but there are pressures to--that would include the section I am thinking about.

"4. The province should assume the cost of all or part of the cost of providing municipal police services."

Who knows anything about this?

Mr. Wildman: I do. This does not affect just Wawa, but it is important to Wawa because its tax base may be about to dwindle. We have a situation where a number of small municipalities provide their own policing at significant cost for the size of the municipality, while other municipalities in the same region are provided with Ontario Provincial Police service at no cost. There is a similar situation with Marathon, Manitowadge and Chapleau.

4:30 p.m.

It is rather unfair that some municipalities carry out a very important service at substantial cost while others are totally funded by the provincial government.

Mr. Chairman: Do we know for sure that there are no offsetting grants? Is it really a benefit to the community.

Mr. Pouliot: Oh, indeed, for a small community.

Mr. Wildman: It is more complicated than that. Some municipalities get Ontario Provincial Police services, particularly in southern Ontario. They then have to pay it back.

You have three different categories. Some municipalities are providing municipal policing at their cost, and they get some funding consideration through the normal municipal grants from the provincial government. There is another group that gets OPP service at no cost, and there is another group that gets OPP service and has to pay part of that cost.

You are quite right. A study was done a few years ago in which it was suggested to the Ministry of the Solicitor General that all communities of fewer than 10,000 people should have OPP service and that they should have to pay for the service.

Mr. McGuigan: At the time of the report, 17 per cent of the residents of Ontario had free OPP service.

Mr. Wildman: Yes, 17 per cent get free OPP service.

Mr. Chairman: Mr. Wildman, the only reason I raise the question is that it would be sort of sad to have free OPP service and then to have their grants reduced by an appropriate amount.

Mr. McGuigan: This is what strikes me. We should look at that report.

Mr. Wildman: I really wonder whether we should not forget about this, to tell you the truth. The reason I am concerned about it is that if we make a suggestion, a number of things might happen if the government acted. It might suddenly decide to start charging the communities that are getting OPP service for nothing; or it might say to Wawa, "All right, we will give you OPP service, and you are going to have to pay for it."

The other possibility is that the government might do what I would like to see it do and increase the grants to the township of Michipicoten and to other municipalities that are providing their own police service so that they can continue to do so without a penalty. That is what I would like to see it do, but the other two are possibilities, so maybe we should leave the thing alone.

Mr. McGuigan: You have got it free. If you are talking about the city of Toronto and the province taking over the policing costs for the city of Toronto, it is far more likely to--

Mr. Pouliot: Briefly, under your heading of Options for Discussion, not only as it applies to Wawa but maybe later on in the discussion, if I can beg your indulgence for a few very minutes, I will highlight the proposed itinerary for Longlac and Terrace Bay.

I am talking about item 4. When you are talking about assistance to municipalities. One of the burdens they have to assume is the high cost of police protection. I share with my colleague the member for Algoma (Mr. Wildman) that it is not so much the cost of police protection. In some cases, it does not apply; it need not apply.

The crux of the matter remains the cost of providing an essential service. For the municipalities, by reason of being deprived of employment and of a tax base, whether we are talking about commercial, industrial or, yes, some residential, as a burden, it is not police services that need help. Municipalities may need help for recreation services; they may need help for the fascinating world of sewer and water; they may need help for education--all kinds of essential services.

The vehicle that is illustrated, police services, is an example, no more than that.

Mr. Wildman: The problem is that the provincial government takes the position that these communities are getting general grants, which should help them to pay for their police services. The municipality is saying: "That is true, but we are not getting enough. As a result, we are having to take money from what we might be able to spend on other services, such as recreation, social services or whatever, to help pay for our police forces." Thus, it is in that way penalizing the town. Frankly, I think perhaps we should leave this one alone.

Mr. Chairman: Is that the wish of the committee? Okay.

"5. The provincial government should work with the federal government's community futures program to create new permanent jobs for the area."

Mr. Wildman: Since we were in Wawa and, as those of you who were here on Monday know, I raised with the deputy ministers the fact that apparently a representative of the Honourable Flora MacDonald's office has informed Wawa it does not meet the criteria for the federal community futures program, without indicating what the criteria are and why it does not meet them.

A meeting was scheduled for yesterday, at which meeting a representative of the Ministry of Northern Development and Mines was going to be present. I do not know what took place at that meeting yet.

I suggest we change the wording of this recommendation and put it near the top, or maybe right at number one.

Interjection.

Mr. Wildman: If it is permissible, I want to ask the minister a question.

Mr. Chairman: I wonder whether the minister would care to join us in our discussion, since what we are doing involves his territory.

Mr. Wildman: Are you aware of whether, at the meeting that took place in Wawa yesterday, a representative of your ministry was going to be present to talk to the federal authorities with regard to the community futures program. Have you heard what happened there yet?

Hon. Mr. Fontaine: No.

Mr. Wildman: You have not. Anyway, I am suggesting this should be put near the top as part of our suggestion in the preamble at the beginning of the first recommendation: that the provincial government should act with the federal and municipal governments to put together a rescue package for the community; that we as a committee suggest the Ministry of Northern Development and Mines--or maybe we should say "the provincial government"--should encourage the federal government to designate Wawa as a community eligible for the community futures program; that the criteria for this program should be designed in such a way as to benefit small municipalities as well as larger ones; and that the provincial government should participate financially and in other ways along with the federal and municipal governments to provide funding for economic development through the community futures program.

Mr. Chairman: I welcome the minister to the committee. We have prepared a list of all the suggestions that were put to the committee and we are simply going through them one by one. Perhaps this does not need to be said, but I will say it anyway: Each one of these recommendations should not be quite as bald as it is. There should be at least a sentence or so attached to each one.

Let us move on to number six: "The province's custom mill grant program should be reactivated so that a gold mill could be established in the Wawa area."

Would it be practical to suggest that in number one, when we are suggesting the Ministry of Northern Development and Mines look at the timber

possibility, we include the feasibility of a gold mill, or do you want to do it separately?

Mr. Wildman: We should do it separately.

Hon. Mr. Fontaine: On this, I think there already is a mill there.

Mr. Wildman: Yes, that is the right: Citadel Gold Mines.

Hon. Mr. Fontaine: Yes. I met with the company this week. We are going to help it out with its feasibility study.

Mr. Wildman: In regard to that, we should be quite specific. I agree with this statement as a recommendation, but we should go even further and encourage the provincial government, through the Ministry of Northern Development and Mines, to facilitate the approval of the proposed mill for the Wawa area.

Mr. Chairman: Did I miss something? The minister just said there already was a mill there. Why do we want another one?

4:40 p.m.

Mr. Wildman: No. There is an old mill. It belongs to Citadel Gold Mines. It has been there since the 1920s. A proposal has been made to the Ministry of Northern Development and Mines that this mill be renovated, upgraded and brought into production. That is what I am suggesting. We should encourage the provincial government to facilitate the processing of that application to enable the mill to go back into production.

Mr. Chairman: I understand. Any other comments on that?

Ms. Madisso: Are we keeping the reference to the custom mill grant program?

Mr. Wildman: Yes, I would keep that and then make it 1(a) and 1(b).

Mr. McGuigan: Does anybody have the background on that program: when it was established, when it was phased out?

Hon. Mr. Fontaine: It was a Board of Industrial Leadership and Development program, but in northern development money--

Mr. Wildman: It was a BILD program, and the application has gone through the northern Ontario regional development program, right? So you could fund it again; it could be reactivated through the Nordev program.

Mr. Stevenson: BILD was a good program.

Mr. Chairman: Stop being provocative, Mr. Stevenson.

we will move on to number 7: "The provincial government should assist the district's business community to train people in marketing, promotion, etc., aspects of the tourism industry."

There was an announcement just yesterday that the Ministry of Industry, Trade and Tourism was holding a series of meetings by invitation.

Mr. Wildman: Roundtable discussions.

Mr. Chairman: No, those are over. This is a new series of meetings by invitation only across the province. It was the "invitation only" that caught my eye.

Mr. D. W. Smith: I was at one in Windsor last night. I think it was what Mr. Wildman has mentioned. They started in Dryden, did they not?

Mr. Wildman: At Red Lake or someplace like that.

Mr. Chairman: Yes. This is different, though.

Mr. D. W. Smith: Are you sure it is different?

Mr. Chairman: Yes. This has not started yet. It is to start some time in August or September.

Mr. D. W. Smith: I see.

Mr. Chairman: Anyway, it might be helpful if Merike were to get that announcement, which was just made, and tie in this recommendation that that program include Wawa on its agenda.

Mr. Wildman: Yes, I agree with that.

There is also a tourism strategy study being done by Wawa. That was indicated to us by the township. It has got funding from the provincial government. During our visit in Wawa, the township indicated that when the study was complete, it would be looking for financial assistance from the provincial government in implementing its recommendations. Perhaps we should mention that as well.

Ms. Madisso: In the same recommendation or in a separate one?

Mr. Wildman: Maybe 7(a), 7(b) and 7(c).

Mr. Chairman: Any problems? Okay, Merike?

Number eight says, "The provincial government should provide assistance with the development of other resource-based industries--e.g. tree nurseries, fish hatchery."

Mr. Wildman: It should be "nurseries," not "tree nurseries."

Mr. Chairman: It does not read right.

Mr. Wildman: "The provincial government should provide assistance with the development of other resource-based industries--e.g. a tree nursery and a fish hatchery."

Mr. Stevenson: --fish culture stations, are they not, rather than hatcheries? It is a pretty small point, but--

Mr. Wildman: Whatever you like.

Mr. Chairman: Fish culture stations? That is like calling layoffs "job shedding."

Mr. Stevenson: If I remember correctly, they are all called culture stations.

Ms. Madisso: It is up to you. What do you want?

Mr. Stevenson: Whatever. It does not matter.

Mr. Chairman: We could one of them in brackets after the other.

Mr. South: Does that mean we get a grant from the Honourable Lily Munro?

Mr. Chairman: Have you made your point, Mr. Wildman?

Mr. Wildman: I have nothing to add to that.

Mr. Chairman: Any other comment on number eight?

Mr. Wildman: Unless you want to add a little thing in there saying, "as a way of helping to provide more job opportunities and to stimulate the tourist and forestry sectors."

Mr. Chairman: Number nine says, "The provincial government should conduct seminars, set up a consulting service, etc., to inform local business people of what is available to them by way of government programs."

was someone thinking there of an ongoing program, or of one major production in the community?

Mr. Wildman: They suggested it should be an ongoing program, not just for their community but for communities.

Hon. Mr. Fontaine: They established the new office of the Northern Ontario Development Corp. in the Sault. This is one of its programs. There are five points. I think it is going to be in Wawa, too.

Mr. Chairman: I cannot imagine there being a full-time office in a community the size of Wawa.

Mr. Wildman: No, I do not think that is what they were suggesting. They were suggesting that, through the Ministry of Industry, Trade and Technology, there be an office established in Ontario, which would then carry out this kind of service across the province on an ongoing basis.

Mr. Chairman: I see; okay. Do you not think we have done our job in number seven?

Mr. Wildman: I was just thinking that.

Hon. Mr. Fontaine: --economists to work in Wawa full-time. We are going to advertise pretty soon.

Mr. Chairman: We could delete that recommendation, and the government could say it followed one of the recommendations in committee, since it is going to do it anyway.

Mr. Wildman: I am thinking maybe we could combine nine and seven.

Mr. Chairman: Okay, that is a good idea. Do you want to include the economist in there too or not?

Hon. Mr. Fontaine: No. That is part of the consulting.

Mr. Wildman: That would be a good idea. We could combine that rather with the first recommendation on their being involved with three levels of government in an economic rescue package or whatever it is and the community futures program.

Ms. Madisso: I was not clear from the brief. Is it your understanding that this is supposed to be a service that will then be available to any community that wants it?

Mr. Wildman: There is the man to ask. He is the one who suggested it. He indicated that the economist was going to be appointed on a one-shot basis to help this community.

Hon. Mr. Fontaine: In this community, if the mine closes down, that is all it has.

Mr. Wildman: If I may digress for a second, there is something we have to say in our preamble when we talk about the difficulties in Wawa and the situation there. The company in Wawa said there are two options: complete shutdown, and cutting to 900,000 tons a year and laying off 175 people. Even if it chooses that second option, 900,000 tons and laying off 175, we have to make it clear there is no guarantee that five years hence the community will not face the decision that the company might want to have a shutdown. We have to be clear that this is a possibility and that the reason for these other recommendations is to try to help the economy of the community in the meantime to develop other opportunities so that we can cushion whatever blows they may be facing.

Mr. D. W. Smith: On that last one, number 10, should we not have the federal government involved there? I say this because when we were up in--I am not sure whether it was Sault Ste. Marie or Wawa--

Mr. Chairman: Wawa is the small one.

Mr. D. W. Smith: I know which is which. Somebody made the comment that Brazil and Australia have 1,000 years of iron ore, and if we do not have protection from some company bringing in that offshore iron ore, we are not going to help anybody's cause.

You should be mentioning that the federal government is the one that controls the border and it would have to help there in some way, or we are just throwing good money after bad here.

Mr. Wildman: He makes a very good point, but we have a problem in that right now we have free trade in iron ore.

Mr. Chairman: Already.

Mr. Wildman: I would have some sympathy with the idea that this committee, if it wished, should make a recommendation that the provincial government make representation to the federal government that we ensure there is no dumping of iron ore into the North American market from the Third World.

Having said that, I think it is also important for us to realize as a committee that Algoma Steel is not comparing with Brazilian ore. In the figures it gave us, it is comparing with St. Lawrence ore from Labrador. They claim they would have contacts where they could purchase Labrador ores at \$68.50 delivered to Sault Ste. Marie, where it costs about \$90 delivered from Wawa to Sault Ste. Marie and about \$95 delivered from their Tilden mine in Michigan to Sault Ste. Marie.

Having said that, though, if we are going to say anything about that in the report, it is important that we recognize the company has said it does not have any intention of purchasing St. Lawrence ores and it is just using that for comparison to talk about its competitive position. What they are looking at is trying to lower the cost of the ore in their captive mines by \$4 to \$5 a ton. We should look at it that way.

I would not be opposed to the committee saying something about the dumping of foreign ores; but, having said that, it is not the real problem for Algoma Steel.

Mr. D. W. Smith: Was it established up there at what cost they could bring in Brazilian or Australian ore?

Mr. Wildman: They never said that to us directly, but in answer to one question, Telio Berdusco said that if they had purchased iron ore on the spot world market, they could have saved \$2 million last year.

Mr. McGuigan: With all respect to my colleague, I would be opposed to getting into that field. As Mr. Wildman has pointed out, it is really not the problem.

As regards dumping, you have to get quite technical when you are talking about dumping. Dumping means you are selling it in a foreign market cheaper than you are selling in the home market; if a country does not have a home market, you cannot make any comparisons. If it is the case that they are selling it cheaper in the foreign market than they are in the home market, we have plenty of resources to deal with that under international law. There is no problem there; international law takes care of that.

The problem is that where people can produce it cheaper under their circumstances than we can produce it and where they use it in their circumstances, we do not have a dumping charge against them; we have to go to a tariff. In the present climate today, trying to negotiate a new round of the General Agreement on Tariffs and Trade and the bilateral agreement with the United States, we are getting into muddy waters.

Mr. Stevenson: In Canada we have the Special Import Measures Act, which acts on both countervail and antidumping actions. We have cases going on in both of those areas right now in commodities in Canada; so that is available to anyone. The law is not perfect, but it is being used and would be available to Algoma or any other ore or steel producer that was running into problems in that area.

The problem of trying to deal with the ore beyond the use of that act is that you run into all sorts of other possible repercussions through actions in steel and everything else. To deal beyond that, we need a little more information than our committee has.

Mr. D. W. Smith: I wonder, though, if the province can do all the things that are necessary; that is why I am wondering if the federal government should not be mentioned there to some degree. To what degree, I guess is open for discussion.

Mr. Wildman: We have mentioned the federal government with regard to the community futures program, although that is a different issue. I do not know.

Mr. Chairman: I suggest we leave the free trade issue out of it and deal with issues where Ontario has some jurisdiction.

Mr. Wildman: What is your view, Mr. Chairman? Should we make any kind of comment with regard to the company's decision as opposed to what the provincial government might do?

Mr. Chairman: Be specific.

Mr. Wildman: We might say that before there are any further cuts at the Algoma Ore division operation in Wawa, because of the wealth that has been extracted over the years from that ore body and the investment by the community and the workers into the company, the company owes some allegiance to the community and should re-evaluate its position with regard to the Tilden operation in Michigan.

Mr. Chairman: What do you mean by further cuts? Beyond the 1,500?

Mr. Wildman: Yes.

Mr. Chairman: Are you suggesting a new recommendation based on what you just said, that before any further cuts are made, the company be asked to re-evaluate its source of ore?

Mr. Wildman: And its obligation with regard to--

Mr. Chairman: And to consider using more of its ore supply from Wawa rather than Michigan?

Mr. Wildman: Yes.

Mr. D. W. Smith: With the deal down there, it cannot go below 30 per cent of their iron ore or something like that.

Mr. Wildman: They have 30 per cent of the ownership and therefore are supposed to take 30 per cent of the production, but at the beginning of every year they have to negotiate with their other partners what the total production is going to be. They have indicated they are going to lower the total production at Tilden to 50 per cent of capacity as they are lowering their production at the Algoma Ore division to 50 per cent. I do not know the feelings of the committee on that kind of proposal.

Mr. McGuigan: I would not think there would be any opposition to a motherhood statement. I think we have to recognize that is what it is.

Mr. Chairman: Except, in the event that such a thing happens, it would allow us to say, "Look, you were already asked in the following recommendation"--

Mr. McGuigan: I cannot see it--

Mr. Chairman: Any problem with that then? Are you okay, Merike?

Ms. Madisso: Let me be clear. Have we dumped 10? Is that gone?

Mr. Chairman: We have not talked about it yet. We have just finished 9. But 10 now is what Mr. Wildman has just suggested.

Mr. Wildman: I would put it after we have dealt with all the recommendations with regard to the provincial government specifically. We should make the last one the one about Algoma Steel.

Mr. Chairman: Any problem with that? Then we go to existing 10: "The provincial government should provide financial assistance to a new steelmaking venture that would produce, in Wawa, a steel product that could be sold for many applications in the domestic market."

Mr. Wildman: Much as I have some sympathy for this proposal, I do not think we will have a great deal of credibility if we make it. I would prefer to say, "The provincial government should provide financial assistance for the development of small secondary manufacturing in Wawa," and leave it at that.

Mr. D. W. Smith: How big secondary industries are you talking about?

Mr. Wildman: I am talking about very small ones. I am talking about things like tool-and-die operations that might be involved with mining equipment and that kind of thing, ones that might employ a few people.

Mr. D. W. Smith: Nothing the new ventures program would help? A guarantee of \$15,000--

Mr. Wildman: I would not be opposed to what you are suggesting. Maybe I am being too low on my--

Mr. Chairman: Are you thinking here of using existing government programs?

Mr. Wildman: Yes.

Mr. Chairman: Perhaps that should be said. Otherwise every community you go to--

Mr. Wildman: Basically all I am suggesting is that we highlight it. Overall, what we are trying to say is that Wawa, because of the current situation, is a special case and that we are trying to get the government ministries that have various programs to highlight it and see what they can do to try to spur some kind of development in that community.

5 p.m.

Hon. Mr. Fontaine: Bud is right. There are enough programs in the Ministry of Industry, Trade and Technology and in the northern Ontario regional development program that can satisfy the small businesses. Today I spent four hours on Nordev. In areas such as Wawa, Timmins and Sault Ste. Marie, we are going to take bigger risks. We do not advertise it.

Mr. Chairman: You just did advertise it.

Hon. Mr. Fontaine: What I mean is it is not in the brochure. But we will take risks. We have to take risks.

Mr. Wildman: Maybe we as a committee should say the existing programs should be adapted to the special situation and that perhaps the provincial government should be prepared to provide risk capital more easily than might normally be provided under these programs.

Hon. Mr. Fontaine: That is the trouble in communities such as Wawa and other places where there are some rumours; the banks--

Mr. Wildman: It is very hard to get capital from the private sector.

Hon. Mr. Fontaine: (Inaudible) all over the place. Over the past few weeks, I have been getting telephone calls from all over.

Mr. Norin-Strom: They are squeezing out the--

Mr. Wildman: Number 10 was Mr. Baxter's proposal. Mr. Baxter is a very sincere, hardworking visionary. Perhaps our committee should be visionary, but I am not sure whether we should go whole hog in supporting Mr. Baxter.

Mr. Chairman: I suggest that 10 be reworded as you suggested, Mr. Wildman, and include that the government understand that higher risks are involved in investments in communities such as Wawa--tie the two together.

Mr. Wildman: Communities that face economic dislocation.

Mr. McGuigan: You will get other communities coming along and saying, "We are even riskier."

Mr. Chairman: "Therefore, we deserve more money."

Mr. McGuigan: As long as we know it is being considered as--well, I think it is just as well if it was not said.

Mr. Chairman: What is the wish of the committee? Shall we leave that part out? All right.

Are there any others you wish added at this point? We can come back to it, but for the moment is there any more to be added before we move to Sault Ste. Marie?

Mr. Wildman: I have one comment with regard to the gold processing mill. I do not know whether we as a committee should name the company that has made an application. I do not think that is necessary. Do you?

Interjection.

Mr. Wildman: Citadel Gold Mines has made an application under Nordev for financial assistance.

Mr. Chairman: It is not named in here, is it?

Mr. Morin-Strom: There are other explorations going on besides that one.

Mr. Wildman: I am sorry; this is for a mill, not exploration.

Mr. Morin-Strom: You have to have a supplier of the ore, though, before you get a mill.

Mr. Wildman: There is lots of ore around. Did you ever hear of Hemlo?
Interjections.

Mr. Chairman: If members think of a new one as they go back home and recharge their batteries on the weekend, we can add it.

Mr. Wildman: There is one more. It was raised when we were talking to the deputy ministers on Monday.

Mr. Chairman: What is that, Mr. Wildman?

Mr. Wildman: No, it is not the one you are thinking of. It relates to the proposed Great Lakes Power project on the Magpie River. I encouraged the Deputy Minister of the Environment to facilitate the formation of a local monitoring committee that would ensure local input into the assessment of the environmental impact of the development of the proposed Great Lakes Power project on the Magpie River. It is a minor recommendation, but we might add it.

Mr. Chairman: What you are saying is that you wish to have local input into whether that development proceeds.

Mr. Wildman: That is right, and that the Ministry of the Environment facilitate the formation of such a committee.

Hon. Mr. Fontaine: When we discussed this the other day at another meeting, one deputy minister from the Ministry of Tourism and Recreation said: "You want to keep the Magpie River? Why?"

Mr. Wildman: Okay. There is a problem there. There is a scenic high falls on the river where they are building one of the dams. It is a tourist attraction. It is actually called Scenic High Falls. A proposal has been made that as part of the project, Great Lakes Power should move the dam upriver somewhat so that when tourists go to look at the falls, they are not going to see a dam as well as the falls. Great Lakes Power has said it will maintain the flow levels over the falls. The proposal has been made that the dam be moved. Great Lakes Power is arguing that it is going to cost too much to do this. That is what the argument is about.

All I am saying is that we should suggest a local committee so there is local input into the development.

Mr. Morin-Strom: For the minister's information, I understand there is a split in the community. Quite a portion of the community believes the tourist importance of the falls is more vital to the community than the hydro importance, particularly given that any of the benefits in terms of low hydro costs from that kind of facility are going to accrue to Great Lakes Power primarily, which is a private, independent company, and will not be reflected in rates in Wawa, in Sault Ste. Marie or elsewhere. Great Lakes Power follows the rates of Ontario Hydro; so the benefits are not likely to accrue to Wawa.

Hydro does not provide long-term jobs; it provides construction jobs in the short term. But in the long term, if you hurt the major tourist attraction

in the area--in fact, when we were in the plane leaving the Wawa site, several people on the committee noted from the air that you can see the two falls in succession. They are quite spectacular.

Mr. Wildman: In relation to that, we should add that the local committee should include representatives of all shades of opinion in the community.

Mr. Chairman: To be chaired by the local member?

Mr. Wildman: No. I may be wrong in this, but I understand the local district manager of the Ministry of Natural Resources has volunteered to chair the committee. I believe that is correct; I am not sure.

Hon. Mr. Fontaine: I understand what Mr. Morin-Strom has just said, because that is a discussion we had the other day between the deputy ministers, that probably the long-term benefit may be better with tourism. We will have to discuss that a little. I think it is a good suggestion.

Mr. Wildman: Okay. Thank you.

Mr. Chairman: Can we move--

Mr. McGuigan: You say they follow Ontario Hydro rates.

Mr. Wildman: They have a deal with Ontario Hydro. Right now a significant amount of the power they sell is purchased from Ontario Hydro; they have an agreement with Ontario Hydro that they will not sell that power for more than Ontario Hydro would sell it. This basically means a windfall for Great Lakes Power, because all the generation they do is hydro, which is much cheaper than the cost to Ontario Hydro, which has a significant coal-fired and nuclear component in its mix.

Mr. McGuigan: I was going to suggest that the windfall will escalate as we become more and more dependent upon nuclear power, if you believe the people who are--

Mr. Morin-Strom: In their case, they will be able to supply their own power instead of having to buy power from Ontario Hydro, from which they get something in the order of 40 per cent of their power now; maybe in the future it will be 25 per cent. Instead of 40 per cent, if they get this development in, they are going to save 15 per cent of the cost at Ontario Hydro rates.

Mr. Wildman: As long as they are still purchasing some power from Ontario Hydro, they will be able to say they have an agreement not to sell higher than this amount, and they are still going to have a tremendous windfall.

When you said it was an independent company, it is an independent company, but it is owned by Brascan. It is hardly a small---

Mr. Morin-Strom: It is part of the Bronfman empire.

Mr. McGuigan: You might want to say at some time that they have to apply to the Ontario Energy Board for rate setting.

Mr. Wildman: They do. They have to get approval from the energy

board, but the board just looks at it in relation to Ontario Hydro.

Mr. Chairman: Is there anything else before we move on to Sault Ste. Marie?

5:10 p.m.

Mr. Pouliot: I have a plane to catch. Once again I am concerned because people from the riding of Lake Nipigon have been asking about the proposed plans of the standing committee of resources development regarding the ramifications flowing from the announcement by Darwin Smith. Do you propose to visit Longlac, Terrace Bay and maybe other communities and when would you tentatively like to do it?

Mr. Chairman: May I remind members of the resolution? That this committee investigate the situation at Kimberly-Clark in Terrace Bay and that the committee travel to the Nipigon area to conduct public hearings. It was amended by Mr. McGuigan to add "between now and the adjournment of the House or as the first order of business after the adjournment of the House." Mr. Pierce amended it, "and in the interim, the committee recommend that the House establish a select committee on single resource dependent communities." That is the way the resolution ended up.

Mr. Pouliot, I gather you are asking whether the committee has made up its mind what it is going to do.

Mr. Pouliot: We realize that the future can last a long time as far as the adjournment of the House is concerned. The urgency is there but with respect to timing, it is not catastrophic. I do not want to sound like an alarmist, but no decision has been made as to what mechanism, style or method will be used by Kimberly-Clark. There has been no announcement of layoffs. Nobody has lost his job yet, but we sense the urgency. I trust the committee will feel comfortable even if it does take place within a couple of months, at which time we will have had the opportunity to study the company's reaction and what it intends to do with respect to layoffs.

I do not want to lessen the importance of having the committee travel to some areas on Lake Nipigon that will be affected by the company decision. However, I cannot see the urgency before we have in hand the intent of the committee relative to these matters. I want to stress to the committee it can be done in late July or August provided that the House is in recess. Who would feel comfortable with this?

Mr. McGuigan: The key will be when we recess. My feeling is we will be sitting here all through July, and not only sitting--but this applies to every member. There are going to be many votes during that period of time. Amendments are being offered. There are going to be so darned many votes it will be nearly impossible for--

Mr. Chairman: Do you know what I think? I am not trying to sell this. I think the committee either goes now or it does not go at all. You are quite right, we are going to be into a lot of votes and the estimates which have not yet been done will be referred to the committee. We either go within the next week to 10 days, or we put it on hold.

Hon. Mr. Fontaine: We met with the committee and Mr. Pouliot two or three times and with the Minister of Labour (Mr. Wrye). About a week or two weeks ago, they were supposed to name their management team. They have three

months to report. And there is to be another report at the end of December. Am I right?

We have a good team. We should get a sense of things around August. What would convince you to go today? Or maybe 10 days from now?

Mr. Pouliot: It is like pulling teeth. You are seeking an alternative. The committee is on record as having acquiesced to the importance of consultation with reeves of affected municipalities, with clubs and organizations and with the company itself to find out alternatives and the plans of Kimberly-Clark in this affair.

Given the commitment of the committee, I say again with respect that time is not of the essence but the urgency is still there, when faced with the dilemma or impasse of whether we go or not, and if we do, it should be soon or we do not go at all. The point is not well taken at all. It is not taken at all.

It is necessary that we go, but we would not want to stress the commitment in the affairs of the members. We know the legislative process has to come first; however, we also know of the commitment to go to Sault Ste. Marie and Wawa because you have indicated that. There is also Lake Nipigon and you are on record about that. We are willing to wait but we are not willing to say yes or no.

Mr. Wildman: All members of the committee, even some members who are sceptical about the possibility of travelling north, were impressed by the presentations made particularly by the township of Michipicoten and by the Sault Ste. Marie and District Chamber of Commerce. They made specific proposals--

Mr. Chairman: Mr. Morin-Strom said that.

Mr. Wildman: Yes--for the possibility of government assistance and action to provide for economic diversification in the community. I know that the deputy ministers have been active in this area. I do not think they have been to Terrace Bay, but I know the minister has.

One of the best things we could do is to go to the community and give the township or municipality, the business and labour people, the opportunity to make specific proposals. If they do not have them, it is time they started thinking about them. If they do and we believe they are perhaps viable, that gives us, as a legislative committee, the opportunity to press the Legislature and the government to act on those matters and give the Minister of Northern Development and Mines (Mr. Fontaine) some backup or reinforcement in his efforts to assist the communities in northern Ontario.

I understand the legislative timetable. I know the difficulties we are probably going to be facing and I certainly do not relish the idea of being here in July, but that is the way it looks. I agree with the chairman that if we are going to go at all and fulfil the commitment made by the committee when it passed the motion, then we have to go right now, or as soon as possible.

Mr. McGuigan: Speaking as one member, I learned a lot by being there. I was not on my feet talking about a lot of things, but I learned a lot and I think we all did. That must be useful to some extent in backing up the minister and the government. If you look at the cost, it is an awful lot of dollars to go in and out on a one-shot deal, but how about if we take one more shot, if it can be arranged in this present sitting.

Mr. Chairman: What do you mean by shot?

Mr. McGuigan: Try to make one more trip.

Mr. Chairman: One more trip.

Mr. McGuigan: Then no more until the House recesses.

Mr. Morin-Strom: I agree.

Mr. Chairman: I was impressed with what we got out of that trip north and how smoothly it went. We should give some credit to Todd Decker because there really were no hitches in the trip.

Mr. Wildman: Except we did not have time for lunch in Wawa.

Mr. Chairman: And we left Jim Taylor at the airport.

Mr. D. W. Smith: I still think we are a little premature. As you have said, Mr. Pouliot, if the problem has not developed yet--

Mr. Chairman: It has though.

Mr. D. W. Smith: --then we should wait until the first week in August or something. That would be my opinion. Things went very smoothly in Wawa and Sault Ste. Marie, but they knew what their problem was. As I listen here, I do not think they know for sure whether Kimberly-Clark is--

Mr. Morin-Strom: The problem is the town would shut down.

Mr. Chairman: What did they actually say, that they intended to reduce the work force, or that they were debating it?

Mr. Pouliot: The problem was highlighted for four consecutive days in the House. The problem is there. It will not go away. I sense here and it is--

Interjection: There is no question of it?

Mr. Pouliot: The problem is there. They have announced that there will be changes. They have not arrived at how they are going to do it yet, but there will be changes. The chairman flew from Georgia to announce those changes, and you risk losing 2,000 emplois. Est-ce que vous comprenez ça Monsieur le Président? Parce que moi je le comprends très bien.

What I do not like is that people are getting cold feet. You said you were coming any time and I want to offer the flexibility. I should not have done that. I should have stressed the urgency, and that you come now. I get the impression that you either come now or then you start spinning wheels, you start to procrastinate, then eventually you do not come at all.

Mr. Chairman: Therefore, you are suggesting we go now.

5:20 p.m.

Mr. Pouliot: I have no alternative. The theme that is being developed here is ambiguous.

Mr. Chairman: Are there any other speakers on this before we try to come to a consensus?

Mr. Stevenson: I go back to the comments we made in our initial preliminary meeting on this whole visit to the north; providing this is going to be the policy of this committee, that when any town gets in significant trouble we are going to respond to the needs of that town, then fine, I have no hesitation in going along with the request as long as we are not going to be terribly selective.

The situation is that as individual members get pressure put on them, we are going to have to respond to those members if we are going to continue on in the present manner. I am sure the travels would be more cost-effective if we had a week. We could go up there and travel to a number of towns on one flight and so on. I suppose from where I am sitting now, I should not worry quite so much about cost-effectiveness and should let the government and the minister worry about that. Those are my views. If we respond now, I feel it means we respond automatically to others later on an individual basis.

Mr. Chairman: With one proviso though, if the time is not there for the committee to travel, if there are other things assigned to it, then it cannot respond to all those communities. That is the only proviso I put to Mr. Stevenson's remarks.

Mr. Wildman moves that the committee requests the clerk to make arrangements for the committee to travel to Terrace Bay and area.

What is the decision of the committee?

Mr. Wildman: It should be as soon as possible, but we should aim for a week or a week and a half hence, whichever is better.

Mr. Chairman: Perhaps Todd can help us here, but would it not be better to make it the week of June 9?

Mr. Morin-Strom: Yes, on Wednesday or Thursday.

Mr. Chairman: Do you want to do it the same way? June 11 and 12? How many communities are there, Gilles?

Mr. Wildman: Terrace Bay, Longlac and Geraldton I would think.

Mr. Pouliot: Yes.

Mr. Wildman: Terrace Bay is where the mill is.

Hon. Mr. Fontaine: Longlac or Geraldton.

Mr. Wildman: Next to Geraldton.

Hon. Mr. Fontaine: If something will happen, it will be next week.

Mr. Chairman: Nakina?

Hon. Mr. Fontaine: Geraldton and Longlac are not going to suffer too much. It will be Nakina that is going to be locked out. If Kimberly-Clark is going to make a decision, the hardest effect will be on Nakina. That is the town I am scared of.

Mr. Wildman: With regard to that, I would ask for correction from the local member, but it would seem to me that Nakina, Geraldton and Longlac are all involved. Geraldton is the largest centre. Perhaps you could go to Geraldton and request people from Nakina and Longlac to come to meet with the committee in Geraldton. I do not know whether Mr. Pouliot would consider that the best way to deal with it.

Mr. Pouliot: In terms of logistics and time-saving, it is easily accessible for people, but you are going in the opposite direction and it could involve supplementary travel. The people of Longlac and Nakina would very likely go to Geraldton for the meeting.

Mr. Chairman: And then have Terrace Bay separate?

Mr. Pouliot: Have Terrace Bay and Schreiber separate because they are only nine miles apart, but Terrace Bay is where the mill is.

Mr. McGuigan: It will be up to the local member to see that these people are fully informed.

Mr. Chairman: Yes.

Mr. Pouliot, could you sit down with Todd? Do you have time today to work out a rough schedule and list--I do not think that needs all of us at this point.

Mr. Pouliot: Yes.

Mr. Wildman: Mr. Chairman, I only have one--

Mr. Chairman: We have not passed the motion yet.

Mr. Wildman: I was going to move an amendment if you thought it was in order that we would only go if we could be assured that the honourable Jack Stokes not appear before the committee.

Mr. Chairman: I am not touching that line. I have had my own problems with him over the years.

Mr. Pouliot: Humour does not become the member for Algoma.

Mr. Chairman: You have heard the motion. Would the clerk read it, please?

Clerk of the Committee: Mr. Wildman has moved that the committee request the clerk to make arrangements to travel to Terrace Bay and area as soon as possible, aiming for one week hence.

Mr. Chairman: Aiming for the week of June 9 would be better.

Clerk of the Committee: The dates of Thursday and Friday, June 11 and 12.

Mr. Morin-Strom: That is Wednesday and Thursday.

Mr. Chairman: Are there any comments on the motion? All those in favour of Mr. Wildman's motion, please indicate? Opposed?

Motion agreed to.

Mr. Chairman: Are there any other comments on the future plans before we move on?

We will move on to the Sault Ste. Marie and district recommendations?

1. The provincial government should relocate some of its offices to the city. The timber and wildlife sections of the Ministry of Natural Resources and parts of the Workers' Compensation Board would be appropriate candidates.

Are there any comments? Do you wish it left as it is?

Mr. Morin-Strom: I do not have a problem with it other than that the only real reason for those two being mentioned is that they have been specifically mentioned by groups. Obviously there are many more candidates than those two specific ones, particularly in the area of the Ministry of Northern Development and Mines.

Mr. Wildman: I would again want to relate that to the earlier one about Wawa. As we have said, we would relate it to the comments of the Minister of Northern Development and Mines. I suggest that the ones listed be examples rather than candidates.

Mr. McGuigan: Not exclusive.

Mr. Wildman: Not exclusive, yes. Perhaps we could also add the strengthening of the regional office of the Ministry of Northern Development and Mines; also, the other one that was specifically mentioned in the hearings, which was a workers' adviser from the Ministry of Labour as another example.

Mr. Chairman: Similar to the one they have in Sudbury?

Mr. Wildman: Yes.

Mr. Chairman: Okay. Are there any other comments on item 1? I think what they are saying there is to make it a little broader than it is now to be all-encompassing.

Mr. Wildman: These would be examples and not exclusive.

Mr. Chairman: Okay.

2. The provincial government should provide financial assistance in the health care field and in a number of areas, among them the expansion of Plummer hospital.

Mr. Morin-Strom: That has to be changed. It is not the expansion, it would have to be the rebuilding of the Plummer hospital and the construction of a central services unit joining the Plummer hospital and General Hospital.

There has been considerable work done on that proposal already within the community. Both of the hospitals are on side and they have a joint team that has put together a proposal.

Ms. Madisso: Is the central services unit the proper name?

Mr. Wildman: That is the proposal we have.

Mr. Chairman: For services.

Mr. Wildman: I understand there is some concern among the other members. That is the proposal that has been made by the hospitals to the Ministry of Health and the ministry agrees that they need a new hospital. What we are really suggesting here is that they speed up the capital project.

Mr. Chairman: Perhaps that should be put in then.

Mr. Wildman: Yes. Perhaps we should put in there that we bring forward the capital project more quickly.

Mr. McGuigan: We are asking for a high priority on it.

Mr. Wildman: Yes.

5:30 p.m.

Mr. Chairman: All right.

"2(b) The development of medical specialties, e.g. the establishment of a centre for the treatment of communication disorders, and the further development of the neonatal and eye surgery specialties already in place."

Mr. Wildman: I would have "specialties and facilities."

Mr. Morin-Strom: I think the expression that was used by the chamber of commerce was "regional health centre for certain specialties." They made the reference that, "Various communities and major hospitals in the north should be designated as specialists in various areas," as Sudbury is thought of with the cancer unit. "In areas where there is already some expertise developed, they should be developed to become specialized centres for the north."

Mr. Chairman: I think that is a good suggestion for wording.

Mr. McGuigan: It is more general than specific.

Mr. Morin-Strom: These are for some specific examples where there is already some expertise in the local area and it might make some sense as a candidate for a specialty. The emphasis is that some type of specialties could be designated for the area.

Mr. Chairman: I think Mr. McGuigan is saying the same thing.

Mr. Wildman: I would perhaps like to add an explanation that, "As a committee, we think it makes sense for the provincial government to make it a policy where possible to develop such centres in the north so that patients do not have to travel to southern Ontario for this kind of service."

Mr. Chairman: It could be that we want a separate section, almost like a mini-chapter, on government decentralization of services.

Mr. Wildman: That is a good idea.

Mr. Chairman: There are a lot of these. That could go into that

section. We will see how it looks when we take down all the recommendations.

Ms. Madisso: I assume you are going to collect your recommendations together and have them all listed one after another.

Mr. Wildman: Yes. We could put them under headings, such as "Decentralization of Government Services" or "Health Services"-- :

Mr. Chairman: Tourism.

Mr. Wildman: --or another one under "Tourism."

Ms. Madisso: And then do a little discussion.

Mr. Morin-Strom: In some sense, item 2 now is under the heading "Health," while item 1 is "Government Jobs," and we are saying maybe this topic should be under a section on government.

Mr. Wildman: You could do it so that you were not necessarily separating Wawa and the Sault, although I think it would be a good idea to have Wawa's recommendations with Wawa and Sault Ste. Marie's recommendations with the Sault, but whichever way you think is better to organize it.

Ms. Madisso: I think you have two choices. Do you want to do it by geographic area or do you want to do it by topic, by issue?

Mr. Wildman: What do you think?

Mr. Chairman: I think it would be better by community, but it is up to the members.

Mr. Wildman: If you do the communities, the overall is the geographic delineation and then within that you have the topics such as forestry, tourism and so on.

Ms. Madisso: Do you want those references to the communications disorders left in as examples?

Mr. Chairman: Yes, as examples.

Mr. Morin-Strom: Are we on to (c)?

Mr. Chairman: I assume we are okay on (b).

"(c) the location of Tel-Med in Sault Ste. Marie." It is supposed to be telemed, is it not?

Mr. Morin-Strom: No, it is Tel-Med. This is from the chamber's presentation.

Mr. wildman: It means the same thing.

Mr. Chairman: There is already telemed in Sudbury. What are you suggesting?

Mr. Wildman: They already have Tel-Med in the Group Health Centre in Sault Ste. Marie as well.

Mr. Morin-Strom: They are suggesting that the Tel-Med service in the Sault become a provincial centre.

Mr. Chairman: Where is it now?

Mr. Morin-Strom: There is no provincial centre now. The Sault centre is the first in the province. What they are suggesting, I suppose; is that it be put in as a wide area telephone service line, a WATS line, presumably as an 800-type number where--

Mr. Wildman: Are you sure it is the first in the province? I think there are a number of them.

Mr. Morin-Strom: "The Group Health Centre has implemented the first Tel-Med service in Ontario and only the second in Canada."

Mr. Wildman: Okay; sorry. That is a different thing from what the chairman is talking about.

Mr. Morin-Strom: "An application has been made for the extension of the service to the entire region, serviced by the 705 area code."

Mr. Wildman: The chairman is talking about telemed and you are are talking about Tel-Med, and they are two different things.

Mr. McGuigan: I do not know either of them.

Mr. Wildman: Telemed is where, let us say, a doctor in Chapleau has a patient in the hospital and he is not sure of his diagnosis. He is hooked up with a regional hospital, in Sudbury for instance, where he can have contact with a specialist in Sudbury and the specialist can assist him in his diagnosis.

Mr. McGuigan: He can put in the heartbeat.

Mr. Wildman: That sort of thing. I think you are talking about Tel-Med, where members of the general public can phone in for general information about various topics on health not related to a specific person, which is an innovative program. The only that now is in existence is being provided by the Group Health Centre in Sault Ste. Marie.

Mr. Morin-Strom: They have applied for an extension of service to cover the whole 705 area code so anyone within the big portion of northern Ontario that would cover would call the numbers--

Mr. Wildman: Right down to Peterborough.

Mr. Morin-Strom: I think there are in the order of 100 different programs about which you can phone and ask for information. These are being translated into various languages as well. There is a listing of what kind of information is available and they are proposing to provide translation into French, Italian and some native languages.

Mr. Wildman: It is the only one in Ontario. I think the only other in North America that is of significant size such as this is in California.

Mr. Chairman: That needs to be reworded to give it accurately.

Mr. Morin-Strom: We have to give a little background as to what that centre provides.

Mr. Chairman: Can you provide that to Ms. Madisso?

Ms. Madisso: I can talk to him. I will give him a call.

Mr. Chairman: "(d) development of health care education." That is very vague as well.

Mr. Morin-Strom: I believe the suggested areas were--at least the ones I can recall--physiotherapy, speech therapy and audiology programs to train professional therapists. In those areas, there are inadequate programs in the province today and there has been a recommendation from the local community that such a program could be established in Sault Ste. Marie.

Mr. McGuigan: Would that be at a hospital or a university?

Mr. Morin-Strom: Algoma College.

Mr. Wildman: In making this recommendation, we should recognize that there is a shortage of these therapists in northern Ontario as opposed to the provincial average per capita. To assist in attracting more professionals of this type to the north and helping them to stay in the north, one way is to provide the educational and training facilities in northern Ontario. Mr. McGuigan raises a good point. The physiotherapists' training program would probably have to be related to a university. I understand Algoma College already has a nurses' training program, or is that at the community college?

Mr. Morin-Strom: It would be the community college. I know Algoma College is quite interested in getting into health sciences.

Mr. McGuigan: Are we going to tie 2(d) with 3(a) or 3(b)?

Mr. Morin-Strom: I was going to mention some specific areas with 3(a).

Mr. Wildman: The 2(d) really does relate to 3.

Mr. Chairman: Do you want to leave 2(d) out of this section?

Mr. Wildman: Yes, and put it in the next one. It would probably make sense.

Mr. Chairman: Why do we not take it out of here?

"(e) The development of the high-tech industrial sector related to the health care field through the creation of provincial tax and grant incentives to assist companies to establish themselves in areas of high unemployment."

I think we are again assuming they do this through existing programs.

5:40 p.m.

Mr. Wildman: This is something that is a little aside. The other committee of which I am a member travelled to Sweden. We found that one of the things that is being developed in some cities in northern Sweden is a very big production of pharmaceuticals and high-tech health care machinery, the

argument being that you do not necessarily have to be in a major urban centre in the south to be able to produce these things. This is being proposed because although you are in northern Ontario and a good distance from Toronto, you are close to a major market in the midwestern United States.

Mr. Morin-Strom: Transportation costs are not a major factor.

Mr. Wildman: If you are producing pills or pharmaceuticals it does not cost much to transport them.

Mr. Chairman: Is that clear, Ms. Madisso?

Ms. Madisso: Should I make it pharmaceuticals?

Mr. Wildman: Sure; why not?

Mr. Morin-Strom: High-tech equipment is what we are talking about too.

Ms. Madisso: Should I make clear that we are not talking about the creation of new incentives; it will cover existing ones?

Mr. Wildman: We give priority to this area for this kind of development, but we are not talking about creating new programs. We are talking about highlighting this area for the existing programs.

Mr. Chairman: There is a better chance of getting this accepted by government ministries if you do. Shall we move to item 3?

"3. The provincial government should assist with the development of educational facilities, among them:

"(a) the expansion of Algoma university college."

I assume there is a need for expansion of Algoma College.

Mr. Morin-Strom: Yes, "to meet local needs with degree programs in the areas of basic sciences, social sciences, commerce and health sciences."

Mr. Chairman: You might want to say "regional needs."

Mr. Morin-Strom: Yes, "regional needs." Right now, basically it only serves arts programs. In the areas of sciences you can get the first two years and then you have to go elsewhere. As a result, there is an economic penalty to local people in getting their education. It means the local market mostly goes to southern Ontario at much higher expense to complete basic programs in sciences or for a bachelor of commerce.

Mr. Chairman: The question is whether the numbers justify it is the problem.

Mr. Wildman: We have a significant number of people who are going out of the city to southern Ontario and out of Algoma district. We also have a significant number of people who are going to Lake Superior State College in Michigan.

Mr. Morin-Strom: It is easily justified on the basis of the growth

in numbers of students. It is about 20 per cent per year for the past two to three years.

Mr. Wildman: Algoma has gone up much higher than the provincial average.

Mr. Chairman: All I am suggesting is that the recommendation would carry more weight if there were some numbers attached to it.

Mr. Wildman: That is a good idea. Do we have those numbers? We can give the numbers in terms of the expansion of Algoma College over the past number of years.

Mr. Chairman: They are just in percentages.

Mr. Wildman: Their expansion on a percentage base has been significantly higher than the provincial average.

Mr. Chairman: More specifically, all I am saying is I can see the argument coming back that the numbers do not warrant it.

Mr. Wildman: To be fair, the Ministry of Colleges and Universities recognized the importance of Algoma College just recently when the minister made a statement indicating that the provincial government was prepared to provide funds for Algoma College because it saw it as a necessary component of the post-secondary education system in this province. We might mention that in the report.

Mr. Chairman: I am not trying to dissuade you; it is to reinforce your arguments.

Mr. Morin-Strom: Algoma College also has a proposal in front of the ministry now that it has been pursuing. It has gone to the stage of getting architectural drawings for the expansion of the facility. They have a five-year plan to expand their student base from approximately 450 to approximately the 850 to 900 range. It is a doubling and that could be well absorbed by the local university-bound student body, which is in the area of about 2,000 total university students at any time. We are talking about going from 450 to 900. That is well within what is being generated locally and provides a better service for the community. The Minister of Colleges and Universities (Mr. Sorbara) is aware of that proposal and we should be supporting it.

Mr. Chairman: Keep in mind that this could be a section entitled "Education." If you can give Ms. Madisso any material, it will allow a good preamble to the educational section.

Mr. Wildman: You are quite right, Mr. Chairman, that we do have justify it. If we throw it out as a bald recommendation, everyone is going to say, "So what?"

Mr. Chairman: "(b) The locating of post-secondary educational facilities such as professional schools in northern Ontario." Is this like naturopathy?

Mr. Wildman: This relates to 2(d), which we said should be removed from the other section.

Mr. McGuigan: Let us get a little more specific. When we use the word "professional," we think of a medical school or law school.

Mr. Morin-Strom: That is what what (b) was referring to. In other words, northern Ontario as a principle should be--if you remember the chamber of commerce presentation, they were strong in the suggestion that there should be a medical school somewhere in the north and a law school, a business school and an engineering school somewhere in the north.

Mr. Wildman: It is important and you are quite right in writing "northern Ontario," because he was not specifically suggesting in the Sault. He was suggesting that the government should make a commitment to providing professional schools in the north.

Mr. Chairman: Keep in mind that we are dealing with a Sault Ste. Marie problem.

Mr. McGuigan: Are there no professional schools in the north?

Mr. Wildman: Do you get engineering at Laurentian University?

Mr. Chairman: Yes, they have an engineering department; bachelor of engineering. They have a forestry school at Lakeland University.

Mr. Wildman: I do not think there are post-graduate studies.

Mr. Morin-Strom: I was told there was a master of business administration program at Laurentian.

Mr. Chairman: Business, yes. Do you want to be more specific or do you want to throw it out as a suggestion of professional schools?

Mr. Wildman: If we were going to tie it to 2(d), and I am not sure whether Mr. Morin-Strom wants us to do that, and move it down here, we could talk about therapists which is what 2(d) referred to, the training of physiotherapists and audiologists.

Mr. Chairman: Why not put a "such as" in 3(b)?

Mr. Morin-Strom: It would be better for that one to be separate; 2(d) should be separate from 3(b). Item 3(b) is focussed on the professional schools; 2(d) is focussed on health education, which is not necessarily professional schools.

Mr. Chairman: We could have a separate section that deals with 2(d), but we will call it 3(c).

Mr. Wildman: Do you want to list examples of therapy, physiotherapy, speech therapy and audiology?

Mr. Chairman: The present 3(c) reads, "the basing of the funding mechanism for such post-secondary educational facilities on criteria other than numbers enrolled."

Mr. Wildman: It is important, not only for Sault Ste. Marie but for all northern Ontario for the provincial Ministry of Colleges and Universities to recognize that all colleges in northern Ontario--Sault College suffers from this situation--have higher expenses because, unlike the other colleges across

the province, they provide residence facilities for the students and have higher maintenance and energy costs than other institutions. What is being proposed here is that there be what are called, in the post-secondary and elementary education levels, weighting factors provided in funding for those additional costs.

5:50 p.m.

Mr. Chairman: I do not want to detract from your argument, but there are already special grants for northern post-secondary schools.

Mr. Wildman: I am just following what they said; I am not sure.

Mr. Morin-Strom: This is a complex one. Another area of the formula has to do with graduate versus undergraduate. There is so much more funding for the major schools in the south, because graduate programs get a factor of four or five to one compared to a bachelor of arts program; the medical schools get tremendous factors.

Mr. Wildman: Let us forget about it then; we do not know enough about it.

Mr. McGuigan: I assume that if there is any such institutions there now, they must have a higher weighting factor.

Mr. Wildman: I know the presidents of the Sault College of Applied Arts and Technology and Cambrian College in Sault Ste. Marie have been complaining that their weighting factor, if that is what it is called, is not adequate to meet their additional costs. I do not know enough about it to say whether they are right.

Mr. McGuigan: I do not see any problem in saying the weighting factor should be examined to see if it is adequate.

Mr. Chairman: All right. Shall we take it out? It is up to the local member.

Mr. Morin-Strom: I would leave it out.

Mr. Chairman: All right. We will leave it out.

Next: "The establishment of a science high school for approximately 250 students." This has already been talked about widely by the Minister of Northern Development and Mines (Mr. Fontaine) and the Minister of Education (Mr. Conway). It is a question of which community--

Mr. Wildman: It was highlighted in the throne speech.

Mr. Chairman: That it be in northern Ontario, yes; so it is question of which community it goes to.

Mr. Morin-Strom: This is not just a science high school; it is specialized.

Mr. Chairman: Yes, it is.

Mr. Wildman: Do you want to put any justification in there in the sense that there already is one--which most people in southern Ontario do not know about--here in Toronto?

Mr. McGuigan: I did not know it.

Mr. Wildman: It is attached to the Ontario Science Centre.

Mr. Chairman: A high school?

Mr. Wildman: A grade 13 high school.

Mr. Chairman: It would be logical then to attach it to some science centre in the north.

Mr. D. W. Smith: Were you thinking about Laurentian University?

Mr. Wildman: No, I was thinking about Science North.

Mr. Chairman: Thank you for that additional information, Mr. Wildman; it is very helpful.

Mr. McGuigan: The subjects would be mathematics, science and chemistry?

Mr. Chairman: High-tech high school.

Mr. Wildman: It is advanced; the one in Don Mills is a grade 13 school only. Their subjects are at the first-year university level rather than what other grade 13 students are studying.

Mr. Chairman: Here they are talking about starting at grade 13 and moving down the scale, I believe.

Mr. Morin-Strom: The logic from the Ministry of Northern Development and Mines was that there is difficulty in attracting scientific and technical specialists to northern Ontario to meet the needs of the resource industries in the north. The thought was to get the better science students, those who are interested in pursuing that in university, to have a year where they can have close contact with northern industry and resources development. It would be almost like a co-op program; they would not actually be working, but they would have opportunity to see how sciences are used in industry in the north.

In the Sault's case, the proposal would be to have a close tie to Algoma Steel, obviously, but the big one they are emphasizing there is the federal forest research lab, which is the biggest one in Canada. The location that is being suggested in the Sault is right next to the forest research lab. There would be very close ties between the high school and them. They have a considerable number of PhDs--

Mr. Wildman: They have something like 40 PhDs.

Mr. Morin-Strom: --and a lot of highly trained scientists who are experts in forestry. This would be to try to generate an interest in pursuing that as a career for these students so they will be attracted to come back after university and work in the kinds of jobs that exist in the scientific fields in the north.

Mr. Chairman: Dr. Morin-Strom, are you certain the Sault wants more PhDs?

Mr. McGuigan: The question is, can you stand them?

Mr. Chairman: Do you want to leave that as it is, "the establishment of a science high school"?

Mr. Morin-Strom: Specialized high school.

Mr. Wildman: We might put in some sort of preamble about the fact that it has been mentioned already in the throne speech.

Mr. Chairman: Okay. As a word of caution about (e), the northern colleges could end up being hurt as much as helped by such a recommendation.

Mr. Morin-Strom: I do not like that one at all.

Mr. Wildman: Take it out.

Mr. Morin-Strom: It suggests shutdown.

Mr. Chairman: Number 4: "The provincial government should assist with the development of an all-year-round tourist industry by doing the following: "(a) providing financial assistance to the Algoma Central Railway so that it can refurbish or replace the tour train"--I think we should read (a), (b) and (c) together.

Mr. Wildman: When the deputies appeared before us on Monday, the Assistant Deputy Minister of Northern Development and Mines, northeastern regional office, Herb Aiken, indicated they now have the terms of reference for the feasibility study and there was going to be a meeting in Sault Ste. Marie next week with the company to talk about those terms of reference and proceeding with the feasibility study and with the advertising for a consultant to carry it out. He said the feasibility study would deal with the marketing of the tour train and the need for refurbishing the passenger rolling stock, including the possibility of whether that work could be done locally.

I suggest we make reference to that in this recommendation and indicate that we encourage the provincial government to speed up the carrying out of that feasibility study, which deals with marketing of the tour train, the refurbishing of the rolling stock and determining whether that can be done locally.

Mr. Chairman: Do you want to add (c) into it?

Mr. Wildman: Yes. I asked Mr. Aiken during that meeting of the committee whether the ministry had consulted with the union. He said no and seemed to be surprised that it would be suggested. Frankly, I think they should consult with the unions.

Mr. Chairman: I suggest that (a), (b) and (c) be eliminated and in their place be Mr. Wildman's suggestion that the feasibility study that is being done, etc., be speeded up as quickly as possible and that labour be included in the process. All right? That would replace (a), (b) and (c).

Mr. Morin-Strom: There could be a lead-in statement saying it is essential to the tourist industry in Sault Ste. Marie that the tour train continue to operate.

Mr. Chairman: I agree.

Mr. Morin-Strom: Somehow or other it has to operate.

Mr. Chairman: That is most appropriate.

We are still talking about what the provincial government should do. Point 4(d): "providing financial assistance to Searchmont ski resort and/or King Mountain."

Mr. Wildman: I do not like the wording of that. We should be saying the provincial government should be actively promoting and assisting in the development of four-seasons tourism in the Sault. Ste. Marie area and suggesting as examples--

Mr. Morin-Strom: Is that the lead-in to 4?

Mr. Wildman: No, to 4(d). It could be the lead-in to all of 4, but I am talking--

Mr. Morin-Strom: Your statement is not just--

Mr. Wildman: Wait a minute; let me finish. We should be using the development of four-seasons resorts and ski hills in the area as examples. We might refer to Searchmont as an example, but I do not want to prejudge the feasibility studies at this point by saying the government should be providing money to Searchmont and/or King Mountain. I do not want to say it that way.

Mr. Chairman: I think any time you start naming the companies, it is risky business.

6 p.m.

Mr. Morin-Strom: I think we have to have assurances that the government will act to see that one or more of the proposed ski developments gets off the ground. There is already a commitment for more than \$20 million to King Mountain. The financial assistance is there on paper. That was promised by the board of Industrial Leadership and Development five years ago. It is my understanding it is still available if the private investors would only come up with their portion of the money. The problem is that it is not happening.

What we have to have is the government directly involved. There are three major proposals, all of which are being promoted, more or less actively, at present. That one is probably a little more dormant today, although there is money on paper. We have to see action on it.

Mr. Wildman: What we have to say is we recommend that the provincial government facilitate the completion of the feasibility studies with regard to the proposed ski hill developments north of Sault Ste. Marie and that the government act to implement the recommendations of the studies, and leave it at that.

Mr. Chairman: That is assuming the studies indicate some action should be taken.

Mr. Wildman: Yes.

Mr. Chairman: We do not know that yet.

Mr. Wildman: I do not, but I suspect they will.

Mr. Chairman: I personally like that idea of not naming the two resorts. Mr. Morin-Strom, can you live with that? Okay. All right, Merike?

Ms. Madisso: Okay.

Mr. Chairman: Point 4(e): "providing financial assistance for the development of the city's waterfront, for example, capital and operating costs for the Great Lakes Visitor Centre."

Mr. Wildman: Or we could call it Ontario Place North. I do not care.

Mr. Chairman: Is it all right the way it is? A lot of public money has gone into the development of Toronto's waterfront; so I do not think we need to blush about this one.

Point 4(f): "providing financial assistance for the development of a sport fishery." Can anybody help out on that? I do not know what they mean there.

Mr. Wildman: They already have, as a matter of fact.

Mr. McGuigan: We have things where the ministry works with local groups.

Mr. Wildman: They are already doing that in the area.

Mr. McGuigan: I think what we are looking at is for the government to assist local initiative.

Mr. Wildman: That is right; I agree. There is a major local initiative that is being sponsored by the municipality for the stocking of fish in the St. Marys River and the general upgrading of the sports fishery in the area and then promoting it in Michigan as a tourist attraction.

Mr. Chairman: That is good. Why do we not tie those two together, to assist in upgrading it and promoting it?

Mr. Morin-Strom: It should be a separate point from the motion generally, which is not in there.

Mr. Wildman: Again, we are not talking about necessarily new provincial programs but using the existing provincial programs to promote the area.

Mr. Chairman: All right?

Ms. Madisso: Do these two points stand as separate points, one as sports fishery and the other promoting the local area generally?

Mr. Chairman: There needs to be a section on tourism promotion, but in here you can still go ahead with upgrading and promoting the sport fishery. I do not think there is anything wrong with saying that as long as there is a separate section, an umbrella section, on tourism promotion for the Sault area.

Mr. Wildman: The lead-in to all of number 4 is that we are saying the provincial government should be promoting the development of a four-seasons tourism strategy for Sault Ste. Marie and area.

Mr. Chairman: Number 5: "The provincial government should investigate the ways that work can be shared; the following are options:

"(a) the creation of a pool of funds to which all municipalities contribute so that at a time of crisis a community...can draw on the pool."

Mr. Morin-Strom: We do not want to say "to which all municipalities contribute...." It should be "the creation of pool funds for the north...."

Mr. Chairman: For northern Ontario?

Mr. D. W. Smith: Are you saying all municipalities in the north or all municipalities in Ontario?

Mr. Wildman: We are taking "municipalities" out.

Mr. Morin-Strom: I am taking "municipalities" out; we are going to solicit funds from the province, not from municipalities.

Mr. McGuigan: I think you will find a lot of resistance on the part of the government because, like the previous government, we believe the consolidated revenue fund is the proper fund. In rare cases, there are designated pools; but it ties up money that may not be required, and in the meantime, some other spot may be crying for money.

Mr. Wildman: I agree with Mr. McGuigan that there is going to be tremendous resistance to this on the part of the provincial bureaucracy, particularly by the Treasury.

I do not think I am betraying any confidences when I indicate to you that the Ministry of Northern Development and Mines advisory committee on resource-dependent communities has made a final report, which will be released to the minister next Monday, in which it has made a recommendation that a northern Ontario fund be established with seed money from the provincial government; it would incorporate the northern Ontario regional development program and the Northern Ontario Development Corp. program and would be self-sustaining and ongoing based on provincial revenues from the resource developments in northern Ontario which would then be used for reinvestment in communities for economic development.

That committee made that recommendation fully aware of the resistance to it by the bureaucracy and by Treasury specifically. We made it on the basis of information we received on the Nordland fund when we travelled to Sweden. As a member of that committee, I fully support it despite the reaction I know it is going to produce in the bureaucracy. I would be very much in favour of this committee making a similar proposal. However, if members of the committee are not willing to support it, perhaps we should not be making the proposal.

Mr. McGuigan: I realize there is a lot of danger in it because when the crisis comes along, if you look at the pool and there is a limited amount of money in it, that gives the government a chance to say, "This is the pool, and that is it."

Mr. Wildman: There is a precedent for it in Canada. Manitoba has what it calls the mining community reserve fund. I suggest, if this committee can bring itself to do it, that we change the wording of this, since it will be public by the time this committee's report is public, so that it says that we as a committee endorse the proposal of the advisory committee on the

resource-dependent communities for a northern Ontario fund, upon which communities in crisis could draw for economic diversification and development.

Mr. Chairman: Is there any problem with that?

Mr. McGuigan: That would be easier.

Mr. Chairman: That is a good solution.

Once again, this is what the government should investigate. Point 5(b): "the provision of incentives to employers in high-employment areas to hire from low-employment areas."

Can I back up a second? There is a red flag being waved in number 5 when you say "investigate the ways that work can be shared." You will not get support from the labour movement on that.

Mr. Wildman: Dennis Nelson was quite clear, as the representative of the labour council, that he did not agree with that.

6:10 p.m.

Mr. Chairman: I suggest that we put in there, "The provincial government should investigate" and then 5(a). We will see about 5(b) and 5(c).

Mr. Wildman: Take out everything after "investigate." You could say, "should investigate the following proposals."

Mr. Chairman: Okay.

Mr. McGuigan: One of the biggest problems facing society is this question of work sharing. It is probably the subject of a separate inquiry.

Mr. Chairman: I think so too.

Mr. Wildman: The only problem with what we have said is in terms of wording. We just indicated in 5(a) that we endorse something. We can hardly ask the government to investigate our endorsement.

Mr. Chairman: Why do we not let Merike wrestle with that?

Ms. Madisso: If you make your statements about 5(b) and 5(c), that might be relevant.

Mr. Morin-Strom: I do not know whether these should all be categorized together, anyway. Now 5(a) is one point in itself.

Mr. Wildman: To be frank with you, I do not like (b).

Mr. Chairman: Are we at 5(b)? All right.

Mr. Wildman: If we are talking about anything like that, we should be talking about giving assistance to workers who have to relocate.

Mr. Chairman: If you start this, you are going to have a lot of complaints from low-employment areas.

Mr. Wildman: Yes.

Mr. Chairman: It is a mug's game and we should stay completely away from it. Is there any problem with that? If we had full employment in all parts of Ontario except the north, then perhaps you could make some argument. But we do not have full employment anywhere.

Mr. Wildman: What about eastern Ontario?

Mr. McGuigan: There are some incentives there already in the larger sense. I do not know whether it applies so much within Ontario, but they will provide the moving costs of people from eastern Canada.

Mr. Wildman: It does apply in Ontario. That is what I meant. If we are going to get into this at all, we should be talking about giving assistance to the worker who is relocating instead of saying to the employer, "If you want to bring somebody from someplace else, we will give you assistance." I do not think that is the way to go.

Mr. Morin-Strom: I think this point came from the National Anti-Poverty Organization or one of them.

Mr. Wildman: Yes, it did.

Mr. Morin-Strom: Its point was that people who do not see any job opportunities locally and who may have applied for a job and have an interview available to them in Toronto or wherever do not have the funds to get there. They get compensated only if they get the job.

Mr. Wildman: Yes, that is right.

Mr. Morin-Strom: They need assistance to be able to get access to interviews and to find out whether they have the job before they are compensated for the relocation. It ends up that if you do not have funds, you are shut out of exploring job opportunities where they may be available.

Mr. McGuigan: Why do we not say we approve of assisting transportation? You would really do it through Employment and Immigration Canada.

Mr. Wildman: Yes. You are really talking about a federal program.

Mr. McGuigan: We cannot have people walk in and say, "I want a ticket to Toronto."

Mr. Wildman: Let us leave it alone completely.

Mr. Chairman: All right. We will leave that one alone.

Ms. Madisso: What do you mean by "leave it alone"? Leave it in or take it out?

Mr. Wildman: Drop it.

Mr. Chairman: The same with 5(c)?

Mr. McGuigan: It was one of the strong points they made there.

Mr. Wildman: I would not leave 5(c) out. We should suggest that the provincial government, perhaps the Ministry of Labour, investigate ways of

implementing shorter work weeks, early retirement and alternative work in order to make it possible for more people to find work.

Mr. Morin-Strom: That is a separate point. It is not related to 5(a). Item 5(a) is one point--

Mr. Wildman: I have the feeling the chairman is not really into this.

Mr. Chairman: I was taken off track by Mr. Smith and Mr. South.

Mr. D. W. Smith: You started it, Mr. Chairman.

Mr. Chairman: This is a no-fault committee.

Mr. Wildman: I do not think we should leave 5(c) alone, but I do not know how to word it.

Mr. Chairman: It goes beyond Sault Ste. Marie.

Mr. McGuigan: It is really work sharing.

Mr. Wildman: Let us leave it out, then.

Mr. Morin-Strom: That is the one that is most closely tied to the--

Mr. McGuigan: Could I encourage you to look again at 5(b)? Karl brought it to our memory. He made quite a plea on that case. It is the case where someone might have a job in another location but cannot get there.

It really struck a note at the time with me, because I have two or three communities where this comes into the welfare system. They are midway between London, St. Thomas and Chatham. They make these people circulate in the local communities. They go to gas stations, restaurants and so on, and there are no jobs for them. Then they say, "You have to go to London." They have no transportation to get to London. The only way to get to London is by taxi; they do not have a bus service. It is kind of ridiculous.

Mr. Chairman: Are we suggesting here that in areas such as the Sault, where there are high unemployment and high welfare case loads, special assistance should be given to seek employment elsewhere?

Mr. McGuigan: I really think there is an area there, under a regulated system, for people who are identified as really looking for work in good faith.

Mr. Wildman: Are we suggesting this to the federal government, to Employment and Immigration Canada, or are we suggesting it to the provincial government?

Mr. McGuigan: Employment and Immigration Canada.

Mr. Wildman: We can make a recommendation that the provincial government recommend to the federal government that Employment and Immigration Canada make such assistance available in high-unemployment areas such as Sault Ste. Marie.

Mr. Chairman: All right. That way we are saying, "such as Sault Ste. Marie." Is that okay, Merike?

Ms. Madisso: Yes.

Mr. Wildman: I am a little worried about 5(c). I like the idea of saying these are things that should be looked at, but I do not know how to word it.

Mr. McGuigan: That applies to all of Ontario. It is not just the north.

Mr. Wildman: Yes.

Mr. Chairman: Can we drop 5(c), then?

Mr. Wildman: Okay.

Mr. Chairman: Number six says:

"The provincial government should assist nonprofit groups, workers' co-operatives, etc., in the following ways:

(a) by giving these groups special consideration when they apply for financial assistance."

Mr. Wildman: We should expand that a little. Are we talking about startup financial assistance, administrative financial assistance or financial assistance for proposals they make for the development of jobs?

Mr. Chairman: I think they mean to start up, but I am not sure.

Mr. McGuigan: I remember agonizing over that at the time. In a sense, if you are setting up a grocery co-operative, you are doing people out of jobs in the grocery stores. It is a poverty welfare assistance program.

Mr. Wildman: Perhaps instead of saying "workers' co-operatives," we should change it to "producer co-operatives," because they were talking specifically in the Sault about co-op industrial ventures. That is what they are proposing. They have a number of retired people, some of whom were in management at Algoma Steel. In conjunction with the Unemployed Workers Council and the churches, they are organizing co-ops, which are then going to attempt to fund innovative ideas for small-scale manufacturing that would provide jobs.

Mr. Chairman: They would be new jobs, too. They would not be taking away from others.

Mr. Wildman: Yes. It would employ unemployed people. That is the idea.

Mr. Chairman: Is there a better way of wording that?

Mr. Wildman: Perhaps if we say "producer co-operatives," that will help in one way.

Mr. Chairman: It needs to be expanded, though. There need to be another couple of sentences.

Mr. Morin-Strom: I know the group in the Sault is using the term "workers' co-operative." They prefer that.

Mr. Wildman: They used both at the meeting I was in. When I was there on Friday night, they used both words.

Mr. Chairman: How about "worker/producer co-ops"?

Mr. Wildman: Okay, use both.

Mr. Chairman: Anything else on 6(a)? Mr. Morin-Strom, it is your town.

Mr. Morin-Strom: As a special consideration, I would say "by giving them financial assistance in startup."

6:20 p.m.

Mr. Wildman: All right. If they get special consideration, do they get the financial assistance for their startup costs?

Mr. Chairman: Yes, except that, to be fair, you do not want to give it to everyone who applies. You cannot.

Mr. Wildman: No; that is right.

Mr. Chairman: What you do is to give them special consideration.

Mr. Morin-Strom: Special consideration, but that does not mean 100 per cent. There have to be some terms of reference for what assistance is available.

Mr. Wildman: We have been doing this a long time. We should not quibble about the wording on this particular one. I think we can live with what is written there if we put in "with their startup costs."

Mr. D. W. Smith: Do you really think we need number six, when it comes right down to it? If you have accomplished something at the start of this document, then you may not need all those things, even part of number five, possibly. I wonder whether we are almost giving too much here. Some of the things work.

Mr. Wildman: We have already dropped 5(b) and 5(c).

Mr. D. W. Smith: I know, but--

Mr. Chairman: Mr. Smith, do you understand that when you talk about co-operatives, you are scratching an ideological itch? It is a system that involves working people affecting their own economic environment and future as opposed to laying it on the private sector to provide it for them.

Mr. D. W. Smith: Do you not think the people in the community will be able to work that out on their own without mentioning it in here? We have to think we are going to accomplish something at the start of this document, so that we may not have to do the things that come into numbers five and six.

Mr. Wildman: Excuse me. What do you mean "at the start"?

Mr. D. W. Smith: You have made some proposals here that you hope will come to fruition. If they do, you may not need all the things you are asking for in numbers five and six. I wonder whether we are dragging it out too long. That is all I am saying.

Mr. Wildman: I understand what you are saying. My concern, though, is that number six specifically deals with the immediate situation.

Mr. Chairman: It is 6(b).

Mr. Wildman: Yes, particularly 6(b). If the provincial government were to accept recommendations 1 or 2, those are not going to happen immediately. We already have a situation in Sault Ste. Marie in which almost 20,000 people are out of work and the help centre cannot get enough money. We are saying that in the interim, between now and the time when the economy starts to turn around, there needs to be some immediate assistance to places such as the help centre.

Mr. McGuigan: There are some examples of this working in southern Ontario at present. Farmers' cold storage co-operatives get a grant of a third from one level of government and a loan of a third from the other--do not ask me which is which. You have heard in the House just in the last couple of days about the tomato co-op asking for money. However, there is a safeguard in it that I certainly share with my colleague in that they get only partial money. Then they have to go to a bank to get enough money to make it go.

Mr. Wildman: That is a good idea.

Mr. McGuigan: If the bank says, "Hey, this is a crazy idea; it ain't gonna fly," then they have a hell of a time getting any money.

Mr. Wildman: That is very fair.

Mr. McGuigan: That is happening with the tomato co-op right now.

Mr. D. W. Smith: I will not say that you do not need some immediate funding there, but I am sure there are programs in place that will work right now, are there not?

Mr. Wildman: That is the problem. If you look at 6(a), I am not sure about that; you may be right. With regard to 6(b), the very fact is that the programs are in place in such a way that they cannot get the money they need.

Mr. McGuigan: My knowledge is limited, but the only one I know of is the cold storage program.

Mr. Chairman: There are housing co-ops too.

Mr. McGuigan: Yes, but in the way of producers' things, this one on tomatoes has to have a special order in council or whatever to do that.

Mr. Chairman: What do you want to do with number six, then?

Mr. Wildman: First off, I do not think they both come under the same heading; they are two different things. In 6(a) we are dealing with a specific proposal for worker-producer co-ops; 6(b) does not relate to that.

Mr. Chairman: No.

Mr. Wildman: I suggest that we just say, "by giving worker-producer co-ops special consideration when they apply for financial assistance with their startup costs"; that is one recommendation. Another recommendation--

Mr. Chairman: Number seven.

Mr. Wildman: Yes. Another recommendation is "that the provincial government give immediate funding to the help centre run by the Unemployed Workers Council of Sault Ste Marie" and just leave it at that.

Mr. Chairman: They did not need much money, either.

Mr. Morin-Strom: That one was to deal with problems being faced by the unemployed, those on welfare and those living under the poverty line in the Sault area. They have been providing a service. They were given a commitment by the government last fall for 50:50 funding. They finally came up with the 50 per cent they were trying to get when that commitment was changed.

Mr. Chairman: Can you live with that, having 6(a) as number six and 6(b) as number seven? Okay?

That completes the list as we have it now. I suggest we think about it and not close anything off.

Mr. Morin-Strom: I have had a lot of other ones brought to my attention from the Sault area that I would like to perhaps--

Mr. Chairman: I suggest the following: We are scheduled to meet next Monday, Wednesday and Thursday anyway. By Monday Todd can have some preliminary arrangements for us on the Terrace Bay trip. Merike has indicated she can have some preliminary work done on the report itself, but we are not closing anything off. If we have second thoughts about anything or if there are new ones we want to add, let us make sure we keep that open.

We are adjourned until Monday afternoon.

The committee adjourned at 6:27 p.m.



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ORGANIZATION

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

MONDAY, JUNE 2, 1986

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Morin-Strom, K. (Sault Ste. Marie NDP) for Mr. Laughren

Wildman, B. (Algoma NDP) for Mr. Hayes

Also taking part:

Pouliot, G. (Lake Nipigon NDP)

Clerk: Decker, T.

Clerk pro tem:

Staff:

Madisso, M., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, June 2, 1986

The committee met at 4:17 p.m. in committee room 1.

ORGANIZATION

The Vice-Chairman: It would be a good idea to commence the proceedings. We have before us consideration of the annual report of the Ministry of Industry and Trade, and specifically our study of the Algoma layoff situation. We are at the point now where we are going to be starting our report.

I will ask the members of the committee, before we commence those proceedings, whether they will consider the itinerary that is before them regarding the trip to Terrace Bay and Geraldton. This itinerary has two problems involved with it that will probably require an adjustment. The number one problem is that the officials of Kimberley-Clark have been recalled by the parent company and will be away for two weeks, part of the time being the time we are going to visit.

I have talked to the member for this riding, Gilles Pouliot, and he said that it was not mandatory for our trip, that we could talk with the officials, because we probably should, at another time and that they could come down here and talk to us. Either we can postpone it for a couple of weeks and complete an itinerary with a meeting with Kimberley-Clark officials, or we can proceed as now, take the tour with all the other meetings that are set up and then talk to the Kimberley-Clark officials before the committee here in Toronto. That decision needs to be made by the committee.

The other is that to accommodate the mayor of Geraldton we would need to flip the two days. We would go to Geraldton on June 11 and to Terrace Bay on June 12. That is fairly simple.

I will solicit any opinions now about meeting with officials there or here and changing our agenda accordingly.

Mr. Wildman: I have two questions, one related to each of the issues you raised. When you say officials of Kimberley-Clark have been recalled to their parent company, are you talking about down to middle-manager type? Is it at that level or--

The Vice-Chairman: All management level people to discuss the situation.

Mr. Wildman: Personally, I would prefer to go when they are there, but if Gilles Pouliot thinks we could meet with them in Toronto, that this would be all right, then that is fine with me.

The Vice-Chairman: The other consideration is that at the moment we are not ready to do estimates in any one ministry. There is nothing before us. In a couple of weeks, we will have a few ministries and critics ready to go and now seems to be the appropriate time to get that out of the way.

Mr. Wildman: My other question is, if we go to Geraldton, is it likely people from Nakina and Longlac will be coming to Geraldton to meet us?

The Vice-Chairman: Mr. Pouliot has invited the reeves of both those municipalities and they will come.

Mr. Wildman: It does not matter to them if we switch the days around.

The Vice-Chairman: We will check on that but I am sure it will be okay.

Mr. Wildman: I have no problem with switching the days around.

Mr. Pierce: I have a couple of comments. The Canadian Pulp and Paper Association is having its annual conference in Thunder Bay on June 11. I do not know how many members have been invited to attend, but on the program for June 11 there is a tour of the forest industry and what is happening with Canadian pulp and paper, which is important to me.

In one respect, I feel obligated to be at the CPPA annual meeting in Thunder Bay on June 11. There may be subject matter relating to what is happening in Terrace Bay as well. Depending on the wishes of the rest of the committee, I would prefer to have the Terrace Bay trip extended to another week or whatever is convenient. Regarding management at Terrace Bay, if they will be away, I think it would be advantageous to meet them in their own community and meet with the other groups at that time. The CPPA meeting in Thunder Bay is important to me, as well as the one at Terrace Bay. I leave that with you.

Mr. McGuigan: I would like to meet with the management. It seems to me that following the meeting at their headquarters, they would be in a lot better position to talk to us. The question is, when would they be available?

The Vice-Chairman: It is exactly two weeks. They said they could accommodate us on June 25 and 26. You brought up a good point. If they are being recalled specifically because of this situation, they will be further briefed.

Mr. McGuigan: They will be away all that time, two weeks?

The Vice-Chairman: Yes.

Mr. McGuigan: I am reluctant to go--it is an effort to go there--and miss one of the main players and then try to piece it together again two weeks after it has slipped further back in your mind.

Mr. D. W. Smith: At our last meeting I made an amendment that did not carry. I thought we should go up after the House had adjourned because, as Mr. Pouliot said, he did not know for sure yet what would happen. It seems to me it would be more meaningful if something has happened. Then we can talk directly to the issue. From what I have heard, we are not going to be allowed out on June 25 and 26 anyway. It will be difficult to go at that time. We should either go on June 11 or wait until after the House adjourns.

Mr. Wildman: That is probably true.

The Vice-Chairman: As far as being allowed out is concerned, as long

as there is an equal number of members from the different parties represented on the committee--

Mr. Wildman: It will be difficult for the government members to be away once we get into late June.

Mr. South: I have a conflict with June 12. I have a previous commitment.

Mr. McGuigan: So do I.

Mr. Taylor: It strikes me that we could not pick a more inopportune time than the time scheduled. There is important legislation in the House for which most members are anxious to be present. The government has an added responsibility in that legislation. The principals who are key in assuring job opportunities in these establishments are not going to be present. There are conflicts other than House duties with the members' itineraries. Principals of the industry will be meeting to address this problem. It has been pointed out that the results of that meeting may have an impact on our discussions with them.

In the light of those numerous factors, it might not be the best time for the committee to go to these communities. It is not that we are not interested or will not make the effort. It is just that the combination of circumstances do not lean towards the committee journeying to those communities at this time. If we go we are exhibiting an interest, if not an anxiety, in regard to the townspeople, but is anything fruitful going to result? That is what concerns me.

Mr. Wildman: We have a timing problem. We decided as a committee last week that either we go early or we probably do not end up going until August. It is very unlikely we are going to get out of here in late June. That is why the committee decided that if we go, we have to go early.

I would regret very much if the committee today reverses the position it took last week. The local member says that while it would be preferable that the Kimberly-Clark management be present, it does not matter if they are not because they could appear before the committee in Toronto. Perhaps we should take his views into account and proceed as we decided last week.

Mr. McGuigan: If we had known the momentous event that was taking place, perhaps we would not have decided as we did last week.

The Vice-Chairman: Which momentous event?

Mr. South: The management staff being away.

Mr. D. W. Smith: In making the comments I did, I was not saying we should not go at some time. I am prepared to go at a later date. That is the way I am voting on this issue if it comes to a vote.

Mr. Taylor: That can be said for all of us. We are all anxious to address the problems there. It is a matter of an appropriate time. Certainly I will go. It is not that anyone is refusing to go. It is a question of how fruitful the trip is going to be in the light of those circumstances and the conflicts within the committee in terms of time and the legislation currently in the House.

Mr. McGuigan: If it is a matter of symbolism, I am willing to go as a symbol, but you have to ask yourself what that does. If they feel they want us up there and there will be a lot of repercussions if we do not go, then we will go. We have to be responsible in this job.

Mr. Morin-Strom: Is there some problem with going on June 18 and 19 if that is when the management will be back and available?

The Vice-Chairman: They are not back until June 20.

Mr. Morin-Strom: Are they away two weeks or what?

Mr. Pierce: Two weeks.

Mr. Morin-Strom: Which two weeks?

4:30 p.m.

The Vice-Chairman: That two weeks. We could have the same itinerary on June 25 and 26, but there is also one day--June 20, also a Friday--when the president of Kimberly-Clark will be in Terrace Bay. We could meet with him there.

Mr. Morin-Strom: Will no one be there on June 18 and 19?

The Vice-Chairman: No. That is correct.

To talk to Mr. McGuigan's point at the moment, I do not see the trip being purely symbolism, according to this agenda. The trip would take the two-pronged approach this committee used with the Sault Ste. Marie situation. We would have a fact-finding trip to pick up everything we could in the locality by talking to the people there and seeing the operation--except for talking to management, which we could do at a later date here. It would not be purely symbolism to go there. It would be an educational experience for us to size up the situation.

To answer Mr. Smith, the idea of this was to investigate problems before they become a tragedy, and before we suddenly hear that 2,000 jobs are gone. We can see if we can offer any assistance, and find out what is needed in the situation to prevent the sort of announcement we had in Sault Ste. Marie. Rather than putting out a forest fire, as we did in Sault Ste. Marie, we are going to do some preventive maintenance on the situation.

Mr. D. W. Smith: If we know the management team has left for a major meeting, we could decide something, and it may not even be relevant to what it is learning at its meeting. I accept what you say, but we are not going to solve a lot in a week. If this management team comes back from its major meeting and the layoffs are there, what we say a week before may be entirely wrong relative to what management is going to hear in another week.

Mr. Knight: The most important piece of information I have heard this afternoon is that management is being called back to its home office. It will be away some length of time because of the importance of the meeting it is engaged in.

For us to seek facts in Terrace Bay or Geraldton without having it there is not fair to management. As with all the other witnesses, we must allow

management the opportunity to present its information in a public forum in that area. That is important.

If we are up there, we are denying one of the most important players that opportunity. Also, the information we obtain from management will be more important after it has come back from its home office.

It should be delayed for those two very real reasons. We would not want to travel there if it were simply symbolism. We could receive some very meaningful input from all the parties, but we should receive that information at the appropriate time. Let us not do a half-measure job.

The Vice-Chairman: Mr. Pouliot has joined us. I will advise him of the situation at the moment.

As you have probably heard since you have been here, management is unavailable during these two dates. The committee feels it is very important to speak to the management there. As well, because management is being recalled to address this very situation, it may have different information upon returning from its meeting in Georgia which may affect the total situation. That is one point that has been brought up.

The other point is that if we do postpone this for another two weeks, which will bring us to June 25 and 26, we may not be able to leave this place, with legislation heating up and getting more intense as we get closer to the supposed summer recess. It may be more difficult to leave. If we do not go on the itinerary before us today, we may not go until August or September.

I want to get your opinion of that, since it is your riding.

Mr. Pouliot: I think one senses the urgency of the need to go to Terrace Bay and Geraldton to see the options at first hand. Once the scenario, or the theme, has been developed, once Kimberly-Clark tells us specifically, meticulously, where it will strike, if there is to be any such action, where the layoffs, if they are to take place, will take place, the committee will have at hand the necessary information to perhaps develop options and offer workable and sensible alternatives.

However, I have to say, with all the sincerity at my command, that I am here to seek assurance. Given the importance of the Kimberly-Clark operations in the riding of Lake Nipigon--it is the largest employer--the communities would be totally and completely devastated should a major layoff take place. There is no alternative there. I emphasize that of course you have as your first duty the legislative process. By the same token, given the survival of the area--and it is nothing short of that; I am not an alarmist and I do not see catastrophe everywhere--it is imperative that we avail ourselves of an opportunity soon and that point is well taken because logic dictates we have in hand the scenario, the mechanism, that will be employed by Kimberly-Clark.

Therefore I acquiesce. I am more than willing to wait, but wait until what time? By the same token, if we start getting cold feet and find, and I never doubt it, all kinds of reasons for not going, I will say, "My God, we must go at all costs." It would make more sense to go after Kimberly-Clark has announced what it intends to do. I would favour an alternative date in view of the circumstance that Kimberly-Clark has been recalled to the US.

Mr. McGuigan: May we recess for five minutes for a conference?

The Vice-Chairman: We will recess for five minutes.

The committee recessed at 4:37 p.m.

4:40 p.m.

The Vice-Chairman: Gentlemen, we will reconvene.

We have had quite a bit of discussion on this. It seems the closest possible dates we could have this trip and meet with the management would be June 20 and June 21. That is still the end of June. I do not know how you feel about that. Also, it is a Thursday and a Friday. I do not know how members feel about that.

Mr. D. W. Smith: June 20 and June 21 are a Friday and a Saturday, are they not?

The Vice-Chairman: It is a Thursday and a Friday.

Mr. Taylor: Can you clarify for me the number of workers that it has been announced--

The Vice-Chairman: Mr. Pouliot can. I think it is 2,500.

Mr. Taylor: I am sorry. I missed this before. I am not clear on the number of employees in these two communities who work for Kimberly-Clark and the number who have been served notice they are not going to have jobs as of a certain day. Has there been a company announcement?

Mr. Pouliot: No, two or three weeks ago, the president of Kimberly-Clark, Darwin Smith, flew in from Georgia to make a startling announcement that as many as 2,000 jobs could be in jeopardy by virtue and reason of the company having lost money. It affects fully five or six communities in the riding of Lake Nipigon. It is by far the largest employer. He also announced that changes will be made to cut costs and to improve productivity and that the company, at that time, was not willing to put any additional money into the system. He went on to say that five mills have been shut down in the northern part of the US in the past couple of years, every one of them belonging to the Kimberly-Clark operation. People have been suffering from a great deal of anxiety, not knowing exactly what mechanism, style, method and approach will be used by Kimberly-Clark in its cutting of operations.

Mr. Taylor: Is the fear of a complete closing down of the mill or of partial layoffs? What is the fear we have to address?

Mr. Pouliot: There are many scenarios. One could be total closure. One could be the selling of operations to another entrepreneur. One could be massive layoffs. They are talking in terms of magnitude. There are probably 2,000 employees at present.

Mr. Taylor: I am not suggesting we wait for something catastrophic to take place before we act, but it would be nice to know what we have to address. I do not think we are going to know what we have to address until the company completes its meetings, presumably, and makes some more definite announcement.

Mr. Knight: I respect the appeal the member has made with respect to

the problems the closing is going to have for his riding and the urgency he has requested. But it is important not to go there, even if it is as urgent as he suggests, unless we do have the officials from the company available to apprise us of their plans and to be able to do that there and not here in a public forum.

The earliest possible time I have heard mentioned that this can be accomplished--I know it creates some hardships, but it accommodates the problem we would have during the last week in June with the legislative agenda that there is. Might I make a motion? I know one is supposed to make a motion prior to speaking to it. I just had a long preamble.

The Vice-Chairman: Mr. Knight moves that the committee request approval to travel to Geraldton and Terrace Bay on June 20 and June 21.

Mr. Knight: I recognize that for some of the members that may create some problem, because it does have a Saturday involved, but otherwise there is conflict with our legislative agenda--or never probably.

Mr. Bernier: Thursday and Friday?

Mr. Knight: I am sorry, Friday and Saturday.

Mr. Bernier: Was a decision made to go to Terrace Bay?

Mr. Wildman: Yes, last week.

Mr. Bernier: I find it incredible that we would go up there when the company has not yet made an announcement with respect to the future of that mill. They may have indicated that there is something wrong with the mill, that they might have to sell it, but as I understand it, that final decision will not be made until December.

I find it incredible that this committee would go up there and raise more fears. The people in Terrace Bay will say: "They must know something. They are up here to study the situation. They are up here for some reason." I do not know whether we have any more information than we have had from the member and what was in the press. The whole thing is up in the air.

Mr. Pouliot: I also find that we have to review the mandate of the terms of reference, with due respect to my colleague from Kenora (Mr. Bernier). I, too, find it incredible that we must not attempt, at any time, to anticipate and act on the needs of a collectivity of communities, but that we do--not always, but as we have mainly done in the past--react to situations.

I think we have our duty, and I feel comfortable with the terms of reference at this time, with the mandate that it is our duty to anticipate. We know it will take place, although not in what form. However, I feel very comfortable in anticipating and acting on the needs of the collectivity. The people will tell us what some of the options are and the announcement.

If you have the assurance of Kimberly-Clark, the assurance of the people in the riding of Lake Nipigon will follow shortly thereafter. I feel very comfortable, however, with the context of going up very soon to find out what is happening at first hand and seeking options for the people involved in this dilemma.

Mr. Bernier: You are going to feel very foolish if you go up to

Terrace Bay and the company officials say: "We have a plan of action. What is all the excitement about? What are you doing up here? We have not made a decision yet. Until we do, everything is in a study process. We are looking at a number of alternatives and we cannot tell you anything."

Mr. Wildman: I have some questions with regard to what we are doing here. First, I would like you to rule on whether the motion is in order, since the member did speak to the motion prior to putting it.

Mr. Knight: That is why I indicated that it was a preamble rather than speaking to the motion.

Mr. Wildman: Second, I would like to be clear on what we are doing here. I do not think we are sitting here talking around and around to come to the point where we reverse the decision we made as a committee last week.

The purpose of going to Sault Ste. Marie and Wawa was to respond to a specific announcement of a plan of action by a company which would take effect perhaps in October.

Mr. Morin-Strom: In October?

Mr. Wildman: That is when the layoffs will occur.

I would point out to the committee, however, that we did not know what would be happening in Wawa when we went. The company said it was looking at all possibilities, just as Kimberly-Clark has stated it is looking at all possibilities. The Algoma Steel Corp. said it was looking at everything from a complete shutdown of the ore division to other types of cutbacks that would lead to layoffs and so on. We do not know--and, frankly, we still do not know--what the company's position on the Algoma Ore division is going to be.

Our purpose in going was to find out what we could about what the company was proposing. Also, and more important, we were going to find out what proposals the community had to try to lessen its vulnerability to the boom and bust of a one-industry, resource-based economy. I hope that would be our purpose in going to Terrace Bay and Geraldton. This would be a great thing if it happened.

4:50 p.m.

Let us say Kimberly-Clark comes back and says: "Sorry, it was just a scare. We are not going to cut back or sell the mill. We are going to continue to operate as we have been." Even if that happens, the vulnerability of Terrace Bay, Longlac, Nakina and Geraldton remains. Those communities are dependent on that company. I think we should go to find out if those communities have any proposals for government action which will help them lessen their vulnerability and dependence on one company. If that is what we are going for, I think we can go there without knowing at this point what the plan or decision is of Kimberly-Clark.

Mr. Pierce: As a supplementary to the comments of Mr. Wildman, in respect to Terrace Bay, Wawa, Sault Ste. Marie and any number of communities that are single, resource-dependent in northern Ontario, a report was just tabled today from the Minister of Northern Development and Mines (Mr. Fontaine) on single, resource-dependent communities. That report indicates that there are very few communities, if any, in northern Ontario that are not

single, resource-dependent. Those recommendations should be given a chance to be utilized in all cases of single, resource-dependent communities.

The Vice-Chairman: We have several things before the committee here. Before we had the motion on the floor, we were discussing this agenda. I think we should deal with this and find out if we want to do this or not. We should find out if we wish to entertain the motion or entertain any other option you wish. We should do them in the order we have discussed them and dispense with them one by one until we find some agreement on something.

Mr. Taylor: Can you read the motion again?

Mr. Wildman: Perhaps we should read the motion that we passed last week first.

The Vice-Chairman: That is what I was thinking. We have made a decision and now we have the details of that decision. Perhaps we should vote on that and then entertain the motion that has been presented on the floor today. If there are any other ideas, then we will entertain that until we make a decision on what we are going to do.

Mr. Wildman: Will you ask the clerk to read the motion that was passed last week?

Clerk of the Committee: The motion that was passed read: "The committee requests the clerk to make arrangements to travel to Terrace Bay and area as soon as possible." It then went on to read, "aiming for June 11 and 12." That was passed.

Mr. Taylor: I would move an amendment to the motion that is on the floor now that the date be deferred pending further clarification of the circumstances.

The Vice-Chairman: We had a motion passed last week.

Mr. Pierce: I would like to comment on the motion. If I understand the motion or the recommendation that we go to Terrace Bay as soon as possible, it is pretty clear from what I have heard here today that the "if possible" may not be next week.

Mr. Taylor: No, it does not have to be next week.

The Vice-Chairman: We have a motion on the floor, moved by Mr. Knight. Can the clerk go over that for the benefit of the members of the committee?

Mr. Wildman: Can we speak to that motion now?

The Vice-Chairman: Yes, let us hear it. Then I will take the call on it. Let us hear the motion again.

Clerk of the Committee: Mr. Knight moved that the committee requests approval to travel to Terrace Bay and Geraldton on June 20 and 21.

Mr. Morin-Strom: Is that not June 19 and 20?

Mr. Wildman: Mr. Chairman, that is impossible, as you will know, because our party is having a convention in Hamilton on June 20 and 21.

Mr. Bernier: It is just a political trip.

Mr. Wildman: Whether it is a political trip or not, it is a tradition of the Legislature that whenever the Conservative Party, the Liberal Party or the New Democrats are having a convention this House and the committees do not sit. You know that.

The Vice-Chairman: Are there any other comments?

Mr. Knight: I am certainly not aware of the conventions other political parties are having. Sometimes I cannot even keep track of our own.

The Vice-Chairman: I understand that.

Mr. Knight: Those dates were mentioned in the interest of an expression of urgency in travelling to the riding to look at an impending closing or layoff. It was my understanding that it was going to affect the community quite seriously and we should go up there as soon as possible. If there are other dates that are more appropriate, we have to strive to find them.

The Vice-Chairman: We have a motion that has been passed by this committee saying, in indefinite terms but basically saying, that we go on June 11 and 12. I would entertain a motion that would read differently. If there is not one, I guess that stands.

Mr. Taylor: The motion reads, "as soon as possible but aiming for." If we cannot meet the target of June 11, then the motion still stands. It is not harmed in any way. The committee should do its best to arrive at another suitable date. It is important that the circumstances of layoffs, etc., be clarified before the committee. It is impossible for us to go on June 11. In any event, it is premature.

The Vice-Chairman: The committee decided it should go as soon as possible and, looking at June 11 and 12, passed this motion. It is only because of a difference of opinion that people are saying we cannot go on June 11 or 12. We can go; there is an agenda here. One of the parties we intended to meet will not be there. We should have a vote on whether we go on June 11 or 12 and dispense with that one way or the other. If we are not going then, we can decide when we are going.

Mr. Bernier: Would it not make more sense to go after the House rises? I gather the House can rise on June 26 or 27.

The Vice-Chairman: I understand we are going at least until the third week of July.

Mr. Wildman: We are going until the end of July.

Mr. McGuigan: If everything went smoothly, it would be the end of June.

The Vice-Chairman: We have a feeling Bill 94 might go longer than

that. It was proposed and passed last week that we go on June 11 to 12. Is the committee in favour of going to Geraldton and Terrace Bay on June 11 and 12?

Mr. Wildman: We do not need to vote. The motion was passed. The clerk has carried out his responsibilities according to that motion. Unless there is a motion suggesting the previous motion be changed, there is no need to vote. We will head out according to the arrangements made by the clerk.

Mr. Pierce: That is not the way I understand the motion. The motion was written that we would go as soon as possible.

Mr. Wildman: Aiming for June 11 and 12.

Mr. Pierce: I did not hear that in the motion.

Clerk of the Committee: What I meant by "aiming for" was that the chairman of the committee was authorized to request approval from the House leaders to travel on those two dates. It was "aiming for" in the sense that it was subject to approval of the House leaders.

Mr. Knight: In the interest of housekeeping, I withdraw my motion as it was worded, since I did not realize the problems the NDP would have in travelling at that time. I understood that the motion passed last Thursday indicated a desire, but the discussion surrounding the passing of that motion assumed the company would be available and there would be an opportunity to see them.

5 p.m.

That not being the case, would the clerk agree with the suggestion that we are being asked to accept an itinerary for a trip coming out of that motion and that, if we do not accept that itinerary, we are saying it was not appropriate and we are seeking a new date. I have not heard of anybody accepting it yet.

The Vice-Chairman: It might be a good approach to seek the committee's opinion on this itinerary as laid out by the clerk. Could I have a show of hands from the committee whether they are in agreement with the itinerary presented by the clerk for us to travel to Terrace Bay and Geraldton on June 11 and 12? All in favour of this agenda? Opposed? The motion is defeated.

Mr. Wildman moves that we try to arrange a trip to Terrace Bay and Geraldton following a similar itinerary, pending approval of the House leaders, for Wednesday June 18 and Thursday June 19.

Mr. Taylor: Subject to the company or agency being present?

Mr. Pouliot: Yes, we anticipate all the major players will be present at that time.

Clerk of the Committee: Jack Lavallet, president of pulp and forest operations in Terrace Bay for Kimberly-Clark indicated the first clear date for him and his management team to be back in Terrace Bay after their travels to Atlanta would be June 20.

The Vice-Chairman: Could we entertain through agreement of the House leaders that we travel on the same agenda on June 25 and 26? If the House

leaders agree, then we have equal number of members away. Would anyone move the suggestion?

Mr. Wildman: I consider that a friendly amendment.

Mr. Pierce: I do not know what direction we are going in or how many amendments we have now, but could I suggest Monday and Tuesday, June 23 and 24? We are coming out of our ridings to meet--

The Vice-Chairman: That would save some travel cost to the committee. Mr. Wildman, do you consider that a friendly amendment?

Mr. Wildman: Yes.

Clerk of the Committee: Mr. Wildman moved that the committee direct the clerk to prepare a trip on a similar itinerary for June 18 and 19. That was amended to read June 25 and 26 and Mr. Pierce has amended it to June 23 and 24, subject to approval of the House leaders.

Mr. Taylor: My concern was that it be truthful. That would make it subject to verification of the problem and the company officials being there.

The Vice-Chairman: I know there is a problem and the company officials would like to be there.

Mr. Taylor: There are problems all over Ontario. I invite you to my riding and I will tell you what the problems are.

The Vice-Chairman: Mr. Taylor, we have already passed a motion. It is too late to debate the problem.

Mr. Taylor: Are we going through an exercise in futility? Are we addressing seriously a concern of townspeople? We are boxing shadows because there has been no firm announcement. We do not know who the members are, we do not know what the impact will be and we do not know whether it is fictional and all we are going to do is reinforce fear. That is my concern. There are enough problems around Ontario without our trying to stir up additional ones. Before we go--I am being relevant to the motion--we should define the problem and ensure that the proper people are there so it can be addressed.

Mr. Knight: It is important that the company officials be there. We have expressed that is the reason we are willing to delay going until a later date. An amendment--either nice and friendly or not--indicating our trip is subject to the company officials being available would probably be appropriate, would it not, Mr. Wildman?

The Vice-Chairman: The clerk was just speaking to me in a very similar vein. We can withhold the question until the committee meeting on Wednesday of this week so that the clerk can verify all the key players will be available on the two dates entertained in the amendment of the motion. On Wednesday we can vote it. Is that agreed?

Agreed to.

The Vice-Chairman: I am going home now. We have before us the draft of part III of the committee's report on Algoma Steel layoffs, prepared by the very capable Merike Madisso.

Mr. Wildman: I have a couple of questions before we proceed. I have gone through the prepared draft and it is very good. I have some minor wording changes, and I think we should go through the report as a committee to go over whatever wording changes there might be. Before doing that and if it meets with your approval, it would be useful for us to complete the process we were going through on Thursday, since we did not quite complete the proposed recommendations relating specifically to Sault Ste. Marie. Perhaps we could complete that and then go over the draft as it is written with the minor changes or with any major objections, of course.

The Vice-Chairman: How does the committee feel about completing the recommendations that we started on Thursday?

I refer you then to page 9 of the draft. Mr. Wildman, what number were we at on Thursday, as I was not there?

Mr. Wildman: As I recall, we got as far as the question of the help centres. Then Mr. Morin-Strom indicated he had two or three additional points.

Ms. Madisso: They are on page 9, if you want to refer to them.

The Vice-Chairman: Page 9; these additional ones are now noted.

Mr. Wildman: Right. The chairman also indicated that if any members of the committee wished to make additions or deletions, we should think about them over the weekend and then bring them up here. One of those that Mr. Morin-Strom and I discussed was the development of harbour facilities in Algoma district. This issue was raised during our trip in both Sault Ste. Marie and Wawa. Mr. Morin-Strom has the proposed wording of an amendment.

The Vice-Chairman: There is a similar wording here.

Mr. Morin-Strom: Yes. I would like to speak to the point I have had added to page 9. It focuses on the need for industrial diversification, which I do not believe was addressed in any of the points on the Sault Ste. Marie situation. We should include some of the things the government might do to help encourage other secondary industry coming into Sault Ste. Marie and the district of Algoma.

One point Mr. Wildman mentioned is the need for a deep sea harbour, and I have included that as one of the points. After talking to Mr. Wildman about it, my suggestion is that it should be taken out and put into a separate point so that it is separate from the Sault Ste. Marie and the Wawa recommendations.

5:10 p.m.

I would restructure these to some degree. We might put the Sault Ste. Marie recommendations first in the analysis and the Wawa ones second, as Sault Ste. Marie is the dominant community in the district.

The Vice-Chairman: Before we start redrafting this, let us deal with the additional ones and get them out of the way and then start redrafting the whole thing.

Mr. Wildman: There are no major changes except for some wording changes and, as Mr. Morin-Strom has indicated, perhaps changing the order around. But let us not deal with that now. Let us deal with the specific recommendations--get them out of the way--and then we can get out of here.

The Vice-Chairman: Those that are listed here?

Mr. Wildman: Yes.

Mr. Bernier: Where are we in the report?

The Vice-Chairman: Page 9. We are now looking at the added recommendations.

Mr. Bernier: Can we go back to page 8 or is that impossible?

The Vice-Chairman: Surely we can do that after we have completed all these other recommendations. Let us get the ones out of the way we have not dealt with yet and then go over the whole thing to see if it is acceptable to the committee.

Mr. Morin-Strom: We are saying we have had one pass-through, all the way to item 8 already.

Mr. Wildman: On page 9.

Mr. Morin-Strom: We are going to go through a new set of recommendations; we are going to pass through them again. We have not looked at all at the ones under this note that I have put forward.

The Vice-Chairman: If all members then turn to page 9, we will start now to review the recommendations that appear after the note. That leaves the recommendation from Karl Morin-Strom which has yet to be considered. Let us do that now.

Mr. Morin-Strom: Obviously I support this. I would suggest that number 1 be made number 9 under Sault Ste. Marie, with the exception of part (b) which I suggest be taken out and instead be made the recommendation having to do with all of Algoma district, that the provincial government participates with the federal government in a study or studies which would examine the need for access to water transportation in Sault Ste. Marie, Wawa and the district of Algoma.

This is a problem that faces both communities, as well as other communities along the Algoma Central Railway. There are no adequate harbour facilities at either community and I would prefer that one be taken out and made a general recommendation.

The Vice-Chairman: All right.

Mr. Wildman: In that regard, we should recognize that there already is a federal-provincial feasibility study ongoing related to the Michipicoten Harbour. I certainly agree with Mr. Morin-Strom that it would be better for this committee to make a recommendation which is not site specific, but, rather, which says that we recognize in the committee the need to upgrade harbour facilities in the Algoma district. We recognize there is a feasibility study going on with regard to the Michipicoten Harbour and there have been proposals for a study of the harbour facilities at Sault Ste. Marie and we encourage the provincial government to co-operate in those efforts.

The Vice-Chairman: Can we then go through these additional recommendations as made by Mr. Morin-Strom and then we can go through the whole report again. Maybe I will go through it since these are new before the

committee just to see if we have some approval in principle on them. Item 1 would become item 9, if incorporated:

"1. The provincial government should encourage new secondary manufacturing and the industrial diversification of the local economy through the following:

"(a) The establishment of a forest products technology centre in the Sault that would support research, innovation, training and the startup of new secondary industry in northern Ontario that would utilize our forest resource."

The new (b) would be:

"The encouragement of steel-intensive or forest products-related secondary industry to locate in Sault Ste. Marie; and

"(c) The provision of regional incentives to encourage new industrial ventures to locate in northern Ontario."

Is there any discussion on those recommendations?

Mr. McGuigan: On item (a), you folks know better than we do. What is the present infrastructure relating to forest products technology?

Mr. Morin-Strom: Right now, there is no technology centre under the Ministry of Industry, Trade and Technology in the province. There are technology centres addressing a number of other industries in the province, but nothing to support the forest products industry per se. The only technology centre in the north right now is the resource-machinery technology centre in Sudbury.

Mr. Wildman: It is related mainly to mining.

Mr. McGuigan: It would make sense, then, as it stands.

Mr. Morin-Strom: I think technology is vitally important to our forest industry, and not just in terms of forestry. We do have the infrastructure in place in terms of managing the forests. Providing products from the forest is one thing I do not think we have focused on sufficiently in the province.

Mr. Taylor: Have there been any studies on this? We do not have one in the province. Has anyone ever looked at the need for one, the cost of setting it up, location factors and so on? Do we just draw conclusions about any factual material?

The Vice-Chairman: Maybe the wording of this could be slightly changed.

Mr. Wildman: Maybe we could say that the government should investigate the need for establishing a forest products technology centre.

The Vice-Chairman: That may be a good point, Mr. Taylor. Instead of saying outright that it should be established--

Mr. Wildman: The government should investigate the need for it.

Mr. McGuigan: I think that is a given.

Mr. Taylor: If your recommendation is going to have any credibility, you cannot jump to conclusions without some factual basis.

Mr. McGuigan: It is better with that caveat.

Mr. Wildman: I agree.

Mr. Pierce: What do you do by recommending that the feasibility study only be done in respect of establishing a technology centre in Sault Ste. Marie? What do you do beyond that? Somebody may come back and say that it is not feasible to have one in Sault Ste. Marie. That would be the end of it.

Mr. Wildman: Why do we not split that up? We could say, "investigate the need for the establishment of a forest products technology centre in northern Ontario that would support research, innovation, training and startup of new secondary industry in the north that would utilize our forest resources. The committee would encourage the government, if such a centre were found to be needed and feasible, to consider establishing it in Sault Ste. Marie."

The Vice-Chairman: How does that sound, Mr. Pierce?

Mr. Pierce: I am going to wait for the clerk to read that back to me.

The Vice-Chairman: I think all Mr. Wildman changed was that it would not be site-specific.

Mr. Wildman: We take the site out of the first recommendation, and add a sentence saying that if such a study found there were a need for such a facility in northern Ontario, we as a committee would recommend that the government consider establishing it in Sault Ste. Marie.

The Vice-Chairman: It seems to make more sense to make that first change. Obviously we are talking about Sault Ste. Marie. We think this may be an answer for it, and we should look into the feasibility of establishing a forest products technology centre.

Mr. Wildman: No, I think Mr. Pierce has a point. We do not want to have the study look at whether it is feasible in Sault Ste. Marie. We want to see if the city needs it. If it does, we are encouraging the government to establish it in Sault Ste. Marie.

The Vice-Chairman: All right.

Mr. Pierce: I question that because there are a number of facilities in Thunder Bay as well. I am sure Lakehead University or Confederation College of Applied Arts and Technology would be very happy to have that same facility in an area where there are seven paper mills and 31 wood producers in lumber. To be site-specific, to do a feasibility study for Sault Ste. Marie, does not make a lot of sense to me.

Mr. Wildman: I agree with that.

Mr. Pierce: I know we are talking about the Sault Ste. Marie-Wawa area, but at the same time, we have made some recommendations in other committees that encompass all of northern Ontario. We will group them together, and they will be beneficial to everybody.

The Vice-Chairman: That is a good point. Is there any other comment on these additional recommendations?

Mr. Knight: Yes. Have you taken out recommendation 1(b)?

The Vice-Chairman: Yes.

Mr. Knight: Are you dealing with it as recommendation 10?

The Vice-Chairman: We are talking about the whole section. Would you add this as a new section for the Algoma district as a whole?

Mr. Wildman: I am in agreement with Mr. Morin-Strom. I think the additional recommendation 1, rather than being recommendation 9, should be the first recommendation we make with regard to the Sault Ste. Marie section. All the others should be numbered accordingly.

5:20 p.m.

Mr. Morin-Strom felt, and I agreed, that it would make more sense, considering the relative size of the two communities and the relationship between the two of them, to have the section on Sault Ste. Marie first, rather than second, in our report. We would have the transition recommendations, if you want to call them that, between the section on Sault Ste. Marie and Wawa dealing with the transportation issues: the harbour facilities and the Algoma Central Railway. Then we would deal with Wawa.

Mr. Knight: My concern with recommendation 1(b) is that wherever the section on transportation fits in, separate or not, it should be made clear that it is not just provincial.

Mr. Wildman: I agree. It is federal and provincial.

Mr. Knight: The way it is worded here, it seems to be drawing to one's attention that the province should be encouraging its development. It is mostly federal.

The Vice-Chairman: Since there is already a feasibility study ongoing--

Mr. Wildman: Wait a minute. There is a feasibility study with regard to--This is complex. The reason we are doing this is that we do not want to get into an argument in this committee about where the location should be. None of us on this committee has that expertise. There is a proposal for a harbour at Sault Ste. Marie. There is no feasibility study started as yet in that regard.

Mr. Morin-Strom: Other than negotiations.

Mr. Wildman: There is a feasibility study funded by the federal and provincial governments which is ongoing now with regard to the Michipicoten harbour at Wawa. I suggested that we might mention there are discussions about the development of a feasibility study for the Sault Ste. Marie facility and there is a federal-provincial study ongoing with regard to the Michipicoten harbour.

The only recommendation we as a committee are making is that the federal and provincial governments co-operate to improve the water harbour facilities

for the Algoma district. I do not think we as a committee have any expertise to decide where it would be best to have a harbour. I do not think we should get into that type of a discussion here.

The Vice-Chairman: It is really a motion of encouragement. You are encouraging the development of a deep-sea harbour in the Algoma district.

Mr. Wildman: Yes.

Mr. Morin-Strom: If you look at the geographical location of Wawa and Sault Ste. Marie, both are right on--They should have access to Great Lakes transport and they do not. It is obvious that it should be made available.

The Vice-Chairman: Is that the wording then; something to the effect that we encourage the development of a deep-sea port?

Mr. Wildman: No. It has to be stronger than that. We as a committee recognize the need to improve harbour facilities for the Algoma district. We note there is a feasibility study ongoing with regard to the Michipicoten harbour and that there are discussions being carried on between the federal and provincial governments for the development of a feasibility study for a Sault Ste. Marie harbour facility.

We recommend that the provincial government, along with the federal government, participate in those studies and in the funding of improved harbour facilities subsequent to the findings of those studies. It does not say where. I do not want to just say "encourage" because I want to have this committee say that if the studies indicate they are feasible and needed, the provincial government, along with the federal government, should be putting up some money.

The Vice-Chairman: You would like the recommendation to read approximately what you said.

Mr. Wildman: Yes, with that much detail.

Mr. McGuigan: It seems very sensible to me. I do not feel I know where it should be or even that there should be one, other than on a superficial level. You have to determine the volume and the prospects of it helping the district in the long term. All those things have to be taken into account.

Mr. Taylor: It is nice to have one though, Jim.

Mr. McGuigan: It has to be a little more than that.

Mr. Taylor: You are sure not going to pick it off a Canadian Tire shelf; I can tell you that.

The Vice-Chairman: Do you want that on the record?

All right, I take it that these additional recommendations by Mr. Morin-Strom are accepted in principle.

Mr. Morin-Strom: There is an additional one I would like to mention with regard to the community futures program. We do have a mention of the community futures program in terms of the Wawa part of this thing. We should

mention here that we would encourage the provincial government to participate with the federal government in the community futures program that has already been designated for Sault Ste. Marie. Sault Ste. Marie has already been designated as an eligible community under the program federally.

The Vice-Chairman: You would add this to the Sault Ste. Marie section? That is what you want?

Mr. Morin-Strom: Yes.

Mr. Pierce: It is already designated.

Mr. Wildman: It has been designated by the federal government, but the provincial government has not yet indicated what it is going to do in terms of co-operating with that program.

Mr. Morin-Strom: In terms of the prototype project that was implemented in Sudbury about six months ago, the federal government put in \$2.5 million, the provincial government put in \$2 million and local business put in \$500,000. To this point, there is a commitment of something like \$6 million from the federal government to Sault Ste. Marie under the community futures program, but there seems to be a lack of communication. We heard this, in fact.

Mr. Wildman: The deputy minister, Mr. Tough, said there was.

Mr. Morin-Strom: They have not been informed of the details of the program. There seems to be a lack of communication.

The Vice-Chairman: Okay. I take it from that that the principle is accepted, then.

We will go to the beginning of the report and review it in detail.

Mr. Wildman: I have reviewed this. I have no problems with anything written in the Wawa section until page 3.

Mr. Taylor: Concerning the 175 permanent jobs, where did we get that figure?

Mr. Wildman: The company.

Mr. Taylor: They are unemployed now.

Mr. Wildman: No. The company has indicated it has two choices.

Mr. Taylor: But here it says here the "recent loss" of 175 jobs.

Mr. Wildman: Oh, okay. Sorry.

Mr. Taylor: It says, "It is not at all clear that the recent loss of 175 permanent Algoma Ore Division jobs constitutes the final such cutback." As I read that, they are lost.

Mr. Wildman: You are quite right; I had not noticed that. They have not lost 175 jobs yet. The company has said its options are either to cut production to 900,000 tons, which would mean a loss of 175 jobs, or to shut down completely, which would mean a loss of 450 to 500 jobs. We should change the wording there.

Mr. Pierce: We were told there were only 271 jobs at the mine.

Mr. Wildman: They have a sinter plant, too, in Wawa.

Mr. Pierce: I see.

The Vice-Chairman: Mr. Wildman, how would you suggest the wording be changed?

Mr. Wildman: We should say, "It appears that, as a result of recent announcements of Algoma Steel Corp., there could be a loss of 175 permanent Algoma Ore Division jobs." It should say, "at least 175 permanent Algoma Ore Division jobs, but it is not clear that this constitutes the final such cutback in staffing at the division."

The Vice-Chairman: Can we just say, "It is not at all clear that the recent announcement of the pending loss of 175 permanent"--

Mr. Wildman: That is the reason I worded it the way I did. What you are saying is not what happened. They have not announced the loss of 175 jobs. They said it could happen; it is one of two options.

The Vice-Chairman: That is why I added the word "pending."

Mr. Wildman: There is also a pending shutdown. There are two possibilities.

Mr. Morin-Strom: There has been an announcement of the intention to reduce the work force by 175 jobs.

Mr. Wildman: Or to shut down.

Mr. Morin-Strom: It has not happened yet.

5:30 p.m.

Mr. Wildman: Or to shut down. That has been the announcement. The company announced that it would do one of two things: it would cut to 900,000 tons and lay off 175 men, or it would shut down completely.

Ms. Madisso: It might save time if you directed me to rephrase it for you. You can look at it next time.

Mr. Taylor: We are talking about a threatened loss of a minimum of 175 jobs or of the entire work force.

Mr. Wildman: Yes, that is right. That is the best way.

The Vice-Chairman: Thank you very much, Mr. Taylor. That was very astute.

Mr. McGuigan: We came away with the feeling that the worst that was going to happen was the loss of the 175 positions.

Mr. Wildman: Yes. That certainly seems to have been the intent of the company.

Mr. McGuigan: The company is holding out the complete shutdown: either take this graciously or take the other.

The Vice-Chairman: Are there any other comments up to page 3?

Mr. Wildman: I thought I might have missed something else.

Mr. McGuigan: On page 1, it bothered me before when we used this term "rescue package." When we talk about a rescue package, it implies that we are going to replace a payroll. Nothing we do will take the place of a payroll. We can have an assistance program, but to imply to people that life will go on as before, which this implies to me, is--

Mr. Wildman: I agree with Mr. McGuigan. Keep in mind that if--and it is a big "if"--a thermomechanical pulp mill is found to be feasible and if there is a market, we are talking about 500 jobs, which would replace the payroll.

The Vice-Chairman: As I read that sentence, it refers to the term "rescue package" as the name the township puts forth. It is not something we have invented.

Mr. Wildman: That was the term it used.

The Vice-Chairman: It says, "The committee was very impressed with the work done by the township and is strongly supportive of its request for assistance to implement what it has aptly named a 'rescue package' for the community." That is just the township's name, and that is why it is in quotation marks.

Mr. McGuigan: It depends on the terms in which you see a rescue package. Anything less than bringing in a 500-man mill will not replace a payroll. There is nothing in this world as good as a payroll.

The Vice-Chairman: It does not matter to me. It is just the township's term, as I read it here.

Mr. McGuigan: I will let other members go ahead.

Mr. Wildman: Why not have the phrase read, "its request for assistance for the community" and take out, "to implement what it has aptly named a 'rescue package'"?

The Vice-Chairman: How do committee members feel about that?

Mr. Taylor: Obviously, it is not aptly named.

Mr. Wildman: It would then read, "request for assistance for the community."

Mr. Pierce: "Rescue package" makes it sound as though they are going back into the mine again, as though the government is going to take it over and run it.

Mr. Wildman: If you change that, you will have to change the next sentence to something such as, "The committee believes that the provincial government, in concert with the federal, should provide the assistance as part of a program for the community."

The Vice-Chairman: We have discussed that. Ms. Madisso will take care of any subsequent wording on that. Is there anyone else before we get to page 3?

Mr. Taylor: Are you on page 2 yet?

The Vice-Chairman: I hope so.

Mr. Taylor: I was waiting for Mr. Wildman. We were talking about the package and now we are on this fibreboard plant.

The Vice-Chairman: All right. We are on page 2, then.

Mr. Taylor: What worries me about that is the matter of being constructive. When we had the gentleman in from the ministry, I put the question to him about the feasibility study.

Mr. Wildman: That point is dealt with on page 3, which is what I was going to raise.

Mr. Taylor: I may be anticipating it. If it is on page 3, we might be precluding it or affecting it in some way with what we have on page 2.

Mr. Wildman: I do not think so. If you look at page 3, this is just a preamble. Page 3 actually deals with that concern.

The Vice-Chairman: Is it item 3 on page 3?

Mr. Wildman: It is item 2, which reads, "The Ministry of Northern Development and Mines should conduct a feasibility study of the market potential for products of a thermomechanical...pulp mill, a waferboard plant, a medium-density fibreboard plant, a construction plywood plant or"--I do not like the words "a combination of them." That is an improper term, because it sounds as if they could somehow combine a TMP with one of these others, which they could not do. What I think you mean is that we could have more than one of these.

Interjection: Have one or more.

Mr. Wildman: You could say, "conduct a feasibility study of the market potential for products of one or more of"--

Interjection: "The following."

Mr. Wildman: Yes.

Mr. Taylor: The reason I commented is that in the second line on page 2 it reads, "Other possibilities for development are," and then those uses you mentioned, which are mentioned on page 3, are enumerated on page 2 as possibilities. I suggest this might be contradictory, because we do not know they are possibilities until we have the feasibility study.

Mr. Wildman: At the top of page 2, why do we not say, "Other possibilities for development suggested by the township are"?

Mr. Taylor: "Prospects."

The Vice-Chairman: In a sense, we are splitting hairs because, if you have the wood to make these products, they are possibilities. You need the feasibility study to prove it.

Mr. Wildman: I do not have any problem with that. Just put in there

"the prospects" or "possibilities for development suggested by the township are."

Mr. Taylor: Yes. If you put in "suggested by the township," we would be doubly sure.

Mr. Wildman: Yes.

Mr. Chairman: Okay. What are we doing now?

Mr. Wildman: It says in item 3 on page 3, "The province's custom mill grant program"--I think it was called Go-mill--"should be reactivated." I would like to change the wording here, because the assistance for the gold-processing mill in Wawa is not predicated upon the reactivation of that program. It should be, "The province's custom mill grant program should be reactivated and the provincial government should complete the feasibility study of establishing a gold-processing mill in the Wawa area. The Ministry of Northern Development and Mines should facilitate the approval of any proposed mill that is shown to be feasible for the Wawa area."

The Vice-Chairman: Any problem with that?

Mr. Taylor: I would like to comment on the accuracy of the statement. You are suggesting the government should encourage it.

Mr. Wildman: Yes. I do not think we can say that the Ministry of Northern Development and Mines should facilitate the approval of any proposed mill, because some proposals might be right out to lunch.

The Vice-Chairman: Is everybody okay on 4, which deals with tourism?

Mr. Wildman: On 4(b), the province is already funding the township's tourism development strategy study. We recommend that once the township's tourism development strategy study is completed, the provincial government should provide assistance for its implementation.

Mr. Taylor: So one is in conjunction with the other.

Mr. Wildman: On page 4, under 4(c) there is a blank. I am not sure what it is.

Ms. Madisso: I was not able to track down the program name. I have a couple of clippings. I was going to ask you whether they were the right ones. You mention that it is a recent program. Do you think it is the northern Ontario tourism development program? This did not mean anything to me. This was raised by--

5:40 p.m.

Mr. Wildman: I know what you are referring to. In the speech from the throne the government stated it was going to develop a strategy for northern Ontario tourism.

Ms. Madisso: The northern Ontario tourism development program. Is that it?

Mr. Wildman: I am not sure; I would have to look at the throne speech for the exact name. We were suggesting that the township of

Michipicoten be highlighted as part of that tourism development strategy.

Mr. Taylor: It is not newly created; it is newly announced.

Mr. Wildman: Yes, that is right.

Ms. Madisso: I thought it was the same in this case, but it is not?

Mr. Wildman: Sorry?

Ms. Madisso: This program has been around before?

Mr. Wildman: No. It was just announced in the throne speech.

The Vice-Chairman: The program is a figment of the imagination.

Mr. McGuigan: This is the first time the Liberals have announced it.

Mr. Wildman: If you look at the throne speech, you will find it right there under "Strengthening the"--

Mr. Taylor: It does not give it any more credibility.

Mr. McGuigan: Shot yourself in the foot on that one.

The Vice-Chairman: Is this the new smoke-and-mirrors program?

Mr. Wildman: Excuse me. What section is it under? In the throne speech it was called "Bolstering the Primary Resource Sector" or something like that and it dealt with agriculture and tourism.

Mr. Taylor: It is not smoke and mirrors now. It is "smoked mirror."

The Vice-Chairman: Any discussion on number five?

Mr. Wildman: I would use "in the Wawa area."

The Vice-Chairman: After "the tree nursery and the fish hatchery," you would add "in the Wawa area."

Number six?

Mr. Wildman: At the end of the second-last line it says, "that there is local input into the assessment of the environmental impact." I would add, "and economic benefits of the proposed Great Lakes Power Ltd. project on the Magpie River."

The Vice-Chairman: Number seven.

Mr. D. W. Smith: I have just a comment on that. If you open this road up and it makes it that much quicker for the trucks, how much effect will it have on the small businesses--

The Vice-Chairman: We are on number seven. Number six is fine, then?

Mr. Wildman: If you add just that extra wording, if it is all right with the committee.

The Vice-Chairman: All right. Number seven, Mr. Smith.

Mr. D. W. Smith: I just wonder what effect it will have on the small businesses on the old route the trucks used to take. Is it going to affect them severely? Trucks seem to create little restaurants along the way, and if you are cutting it down by two hours--

Mr. Wildman: This would cut travel along Highway 129. North of Thessalon there is nothing between there and Chapleau. There is a gas station and restaurant at Aubrey Falls, but that is it.

Mr. D. W. Smith: So it will have no effect?

Mr. Wildman: Very little, if any.

Mr. Morin-Strom: There is a potential effect if you are talking about changing the routing of the Trans-Canada Highway.

Mr. Wildman: That is not what they are suggesting.

Mr. Morin-Strom: If the suggestion were to upgrade the highway to the point where all the tourist traffic as well as the truckers went this route from Sudbury to Wawa rather than through Sault Ste. Marie--

Mr. Wildman: It is not being proposed that this be upgraded to the level of Highway 11 or Highway 17. You are talking about competing--

Mr. Morin-Strom: Obviously, people from Sault Ste. Marie would be very concerned if that happened.

Mr. Wildman: I would add in number seven, "in order to shorten by two hours the distance trucks must travel to Wawa and northwestern Ontario."

Mr. D. W. Smith: I did not know what degree of reconstruction you were going to do there. We can see it even in southwestern Ontario. You can wipe out an establishment in a matter of a month once you have put a big highway through. I have seen it down in my own area.

Mr. Wildman: We do not have any big highways in northern Ontario.

Mr. D. W. Smith: It is still the route that is taken the most often. but if it is not going to affect establishments--

Mr. Taylor: If the local member thinks it is great, it is bound to be.

Mr. D. W. Smith: There are two local members over there who could be involved, the way I see it.

Mr. Wildman: Actually, there are three. There is also the chairman.

Mr. Taylor: Do you mean they are uncaring with respect to the small businessman? I cannot believe that.

Mr. Morin-Strom: A lot depends on what kind of highway it is.

Mr. Wildman: You can tell that by looking at the numbers. You are talking about a three-number highway rather than a two-number highway. All of

us here know what a three-number highway, other than one starting with four, means.

Mr. Taylor: What is the cost of this? Is that a factor in any of these recommendations?

Mr. McGuigan: It is about \$2 million a mile.

Mr. D. W. Smith: Did you say \$2 million a mile?

The Vice-Chairman: Let us go for it. I should not be interfering.

Mr. Taylor: Damn the expense. Give the canary another seed.

Mr. Wildman: The Ministry of Transportation and Communications has been studying this proposal for a long time, actually.

The Vice-Chairman: On to recommendation 8.

Mr. Wildman: This is just a small wording change. In the second last line, I would say, "Wawa should be developed as a subregional centre."

The Vice-Chairman: Should we delete the second sentence?

Mr. Wildman: Instead of "become," it should read "be developed as."

Mr. Taylor: That is good state planning.

Mr. South: Could we start the whole thing with a preamble? "Where it is in the interest of the citizens of Wawa, we will..." etc?

Mr. Taylor: Among other things.

The Vice-Chairman: Okay, comrades. Let us move to recommendation 9.

Mr. Wildman: The last sentence says, "It should do so by making existing programs more sensitive to the needs of individual communities." I would add, "threatened by economic dislocation and by making risk capital more easily available in such communities."

The Vice-Chairman: Here is the guy who is going to do that. It is an honour to have you here, Minister. Have we got a report here for you.

Mr. Wildman: Quite specific.

The Vice-Chairman: Any further discussion on recommendation 9?

Mr. Wildman: On recommendation 10, instead of saying "Before instituting any more layoffs," I would say, "Before any further down-sizing of the Algoma Ore division operation," and have the rest read as it is worded.

The Vice-Chairman: Is that like job shedding?

Mr. Wildman: Yes.

Mr. Taylor: Have they not done that? We heard about different qualities of ore and the amount of magnesium in the ore that was once a benefit but is now a hindrance, as well as the contractual commitments and

layoffs at the Tilden mine. I thought they had exhausted that subject.

Mr. Wildman: What I am mainly concerned about here is the possibility that if they cut to 900,000 tons and 175 people are laid off this winter, they may decide to shut down completely five years down the road. I say that before any decision on further cuts or down-sizing at Wawa takes place, they should re-evaluate the commitments at Tilden.

The Vice-Chairman: Any further comment on that? On Sault Ste. Marie and district, any trouble with the preamble there?

Mr. Morin-Strom: I suggest that the Sault analysis be done first--

Mr. Wildman: We have already agreed to that.

Mr. Morin-Strom: --which means that this preamble, or the first couple of lines relative to Wawa--

Mr. Wildman: We will have to switch that around.

Mr. Morin-Strom: --have to be taken out.

The Vice-Chairman: There is concurrence on that.

5:50 p.m.

Mr. Morin-Strom: In the introductory paragraph, talking about the fortunes of the industry, perhaps there should be some mention of the company's announcement of its intentions to lay off permanently 1,500 people, almost all of whom would be in Sault Ste. Marie.

Ms. Madisso: You will notice, though, parts 1 and 2 are still to come. This is part 3. I had planned to go through the background in parts 1 and 2 and mention the statistics in that.

Mr. Morin-Strom: I see, and that would also include what had happened at the company regarding the jobs that were lost since 1981 or 1982? Okay.

Mr. Taylor: What about the fact that other people are looking at these matters? I see the Minister of Northern Development and Mines (Mr. Fontaine) here and I understand he has been working very hard. He has visited these communities. Can this committee commend the fine work these other committees are doing? Should these recommendations be in conjunction with the work of the minister?

Mr. Wildman: Do you want to put in a section commending the minister and the government?

Mr. Taylor: That is always appropriate.

Mr. Wildman: I am serious; commending the minister and the government on their efforts in looking for possible alternative development in Sault Ste. Marie and Wawa?

Mr. Taylor: If you want action in your riding, it is better to have a love-in than to strike a note of discord.

Mr. Wildman: I do not have any objection to adding that.

The Vice-Chairman: Are you going to run in a northern riding next time, Jim?

Mr. Taylor: I would love to. I love the north, but I am so happy where I am. It creates considerable conflict.

Mr. Wildman: In that regard, if we are going to add that, which I am quite willing to do, perhaps it would also be useful to acknowledge that the minister's Advisory Committee on Resource Dependent Communities in Northern Ontario has just tabled a report with a number of recommendations, and indicate that we anticipate the government will respond to those recommendations.

Mr. Taylor: The government is sensitive to the issues.

Mr. McGuigan: The Liberals encourage an open government.

Ms. Madisso: Would it be appropriate to put that in the introduction section?

Mr. Wildman: Yes.

Mr. Morin-Strom: In the last sentence of the first paragraph on page 5, "The committee recognizes the need to diversify this economic base in four key areas," I would say "in five key areas" and include as the first one, "the encouragement of new secondary industry to diversify the industrial base".

I have some changes for the first sentence in the next paragraph. "The commitment by the Minister of Northern Development and Mines to decentralize government operations is..." again this refers to Wawa. It is as vitally important to Sault Ste. Marie as it is to many northern Ontario communities.

The Vice-Chairman: Let us delete the reference to Wawa.

Mr. McGuigan: I never did like double negatives.

Mr. Wildman: With regard to the second last paragraph on page 5, I would add at the end, "Sault Ste. Marie should be developed as a regional medical centre by the provincial government."

Mr. McGuigan: "Should be considered" again.

Mr. Wildman: "Should be considered by the provincial government as a regional medical centre."

Ms. Madisso: Where are you?

Mr. Wildman: At the end of the second last paragraph on page 5.

Mr. Taylor: That was the chamber of commerce recommendation.

Mr. Wildman: Yes, that was what it was recommending.

Mr. Taylor: That was former Conservative Party president Gerald Nori, was it not?

Mr. Wildman: That is right. I always support Gerry when I can.

Mr. Taylor: I am glad we have that on the record.

The Vice-Chairman: We are all on the side of the chamber of commerce.

Mr. Taylor: Those opportunities for support are rare, though, are they not?

Mr. Wildman: We get along quite well.

Ms. Madisso: You want the third paragraph on page 5 to conclude with a statement that Sault Ste. Marie should be considered a regional medical centre. Do you want something done with the earlier sentences that make much the same point, or is this a different point?

Mr. Wildman: No. This is to sum it up.

Mr. McGuigan: You could say they should consider building on the present base and make it a regional centre.

Mr. Wildman: Yes. The next paragraph begins, "The development of more educational facilities in the city would also serve the community"--and I would add "and northeastern Ontario"--"well."

Mr. Taylor: That first sentence says it does everything but educate people; it says "educational facilities."

Mr. Wildman: The next sentence says "retrain." Why do you not say "educate and retrain"?

Mr. Taylor: No. It is okay.

The Vice-Chairman: Mr. Taylor was just being facetious.

Mr. Taylor: Anyone who suggests seriously that educational institutions educate would be wrong.

Mr. Wildman: In the second last line I would change the word "some" to "more."

The Vice-Chairman: It would then read, "more of them will stay on."

We are now on page 6.

Mr. Wildman: I would change the top of page 6 to "shortage of some professionals--medical practitioners and therapists, for example."

I would change the last sentence of that paragraph to, "The latter can profit from the presence of Algoma Steel and the federal government's forestry research lab in Sault Ste. Marie."

Mr. Morin-Strom: I have a change in the tourism paragraph. "As the chamber of commerce has pointed out, the city is well served by all modes of transportation." I would delete the word "well."

The Vice-Chairman: Did they point out it was served or well served?

Mr. Morin-Strom: This says "well served," and it is not when it comes to water transportation. That is why I would say that. I want to put a qualifier on this.

Mr. Taylor: Did the city say "well served"?

The Vice-Chairman: The chamber of commerce did. Maybe you had better delete the reference to the chamber of commerce.

Mr. Morin-Strom: The area is not well served by water transport. We could put in the exception, "with the exception of." It should be well served in terms of water transport; there is not access to it right now.

Mr. Wildman: Why do we not just drop the word "well"?

Mr. Taylor: If a city is proud and is promoting itself, surely it wants to put its best foot forward. If you are going to encourage all this secondary industry you are talking about, then you have to have something to sell and you would say you are well served.

The Vice-Chairman: You have already said you want the port study.

Mr. Wildman: Why quibble on this?

Mr. Taylor: Sure, why not be generous?

Mr. Bernier: It was contained in the chamber of commerce statement. It said the city is was well served.

Mr. Morin-Strom: It is being well served by those modes of transport. The one that is not being well served is the one that is not mentioned in that paragraph, and I want to put a little qualifier on it.

Mr. Taylor: Perfection. Nothing is perfect. Perfection is finality, and finality is death.

The Vice-Chairman: Let us have order.

Mr. Wildman: This may sound like quibbling, but if we are dealing with tourism in this section, all of it is accurate except where it says "Canadian Pacific Railway." The Canadian Pacific Railway serves Sault Ste. Marie all right, but not in relation to tourism. There is no passenger service.

6 p.m.

The Vice-Chairman: Should we just delete "Canadian Pacific Railway" then?

Mr. Wildman: No. It is served by the Canadian Pacific Railway, but if you are dealing specifically with tourism, CP does not deal with tourism. There is no passenger service.

Mr. Morin-Strom: We could certainly say tourists are well served by modes of transportation. It says the highways and the air.

Mr. Wildman: That is right.

Mr. Morin-Strom: Rail is not relevant.

Mr. Wildman: It is in terms of the Algoma Central Railway but not the Canadian Pacific Railway.

The Vice-Chairman: All right, we discuss transportation in regards to tourism and we delete "Canadian Pacific Railway."

Mr. Wildman: Instead of Canadian Pacific put Algoma Central Railway, and take out the reference to Sudbury and the US.

Mr. Taylor: I did not like that bit about the chamber of commerce. Edit it out.

The Vice-Chairman: All right, anything further?

Mr. Morin-Strom: We have a mixture here in terms of whether you are talking about serving the tourism industry or serving industry.

Mr. Bernier: A re-election document.

Mr. Morin-Strom: I think maybe we are trying to mix two things together.

Mr. Bernier: Explain that is dealing with tourism.

Mr. Taylor: I think we are mixing fact and fiction.

The Vice-Chairman: Anything else in this paragraph?

Mr. Morin-Strom: I was going to add this water transport, but obviously it is not relevant to tourism, so it is not relevant to this paragraph.

where it says the tour train, "should be guaranteed," I think we should say it "is essential."

Ms. Madisso: Say that again.

Mr. Morin-Strom: "The continued existence of the tour train owned by Algoma Central Railway is essential," rather than "should be guaranteed."

Mr. South: What is the difference?

Mr. D. W. Smith: That is a pretty strong statement.

Mr. South: What does "guarantee" mean?

Mr. Wildman: The difference is this: Are you suggesting--

Interjections.

The Vice-Chairman: Order, please.

Mr. Wildman: Are we as a committee going to take this seriously or not? Are you suggesting we should put "guaranteed" in there? I am not sure you, as a Liberal member on the government side, really are suggesting that we should be recommending the provincial government guarantee the operation of the tour train. I am not sure you really want to say that.

Mr. South: It is only a recommendation from this committee.

Mr. Wildman: Do you want the committee to recommend that it guarantee the operation?

Mr. South: The government will put in what it wants.

Mr. Wildman: I agree, certainly, but I am asking you, do you want this committee to recommend that the government guarantee the operation of the Algoma Central Railway? If you want to, fine.

Mr. South: The point I am making is I do not think it makes much difference whether you say "guarantee" or what you are saying.

Mr. D. W. Smith: I do not want the term "guarantee."

Mr. Wildman: I agree with you, but if you want to put in "guarantee," fine.

Mr. South: I am not the committee; I am only a member of it. I made a statement.

The Vice-Chairman: He does not want "guarantee." Do you want "secured" or "insured"? What do you want?

Mr. Taylor: I am with Mr. Smith.

Mr. D. W. Smith: I do not want the term "guarantee."

The Vice-Chairman: Order. "Guarantee" is out. "This service is essential." All right? Continue.

Mr. Morin-Strom: I do not think we should say, "although the train does not make money for its owner." I do not think we can say that. It has been roughly breaking even. It has been making very small amounts of profit, but the problem is it is not sufficient to pay for the costs of replacing equipment.

The Vice-Chairman: What do you want to say there?

Mr. Morin-Strom: You cannot say it does not make money.

Mr. Wildman: Just drop it.

The Vice-Chairman: The whole sentence?

Interjections.

The Vice-Chairman: Just the preamble to that sentence. All right; fine.

Mr. Wildman: Unless Mr. South thinks we should put this in here, I think we should take out, "therefore supports whatever government assistance is required to repair the ageing rolling stock." I would prefer to say that the committee recognizes the need to upgrade the ageing rolling stock and leave it at that, unless you want to recommend that the government actually pay for the upgrading of the rolling stock.

Mr. Taylor: I do not think so.

Mr. Bernier: You are talking like a socialist.

Mr. Wildman: I am trying to get something the committee can agree to, and then it will be seen as a unanimous report. I think it makes more sense for the committee to say that we recognize the need to upgrade the ageing rolling stock and leave it at that.

Mr. Taylor: That is right, without committing the government.

Mr. Wildman: That is right.

The Vice-Chairman: Fine.

Are there any recommendations?

Mr. Wildman: On the third-last line of the first one, I would change "parts" to "a regional office of the Workers' Compensation Board."

The Vice-Chairman: Parts to?

Mr. Wildman: Delete "parts" and insert in its stead "a regional office."

The Vice-Chairman: Yes.

Mr. Taylor: Take out "worker adviser office."

Mr. Wildman: No.

Mr. Taylor: Why?

Mr. Wildman: They have both in Sudbury now and we suggest they might have both in Sault Ste. Marie.

Mr. Taylor: Is that a permanent thing? I would have thought it--

Mr. Wildman: Of course.

The Vice-Chairman: Are there any other amendments to that first recommendation? Carried?

Mr. Morin-Strom: I would have said its Toronto offices in the first line. "The provincial government should relocate some of its offices allocated to the Toronto office."

The Vice-Chairman: It does not matter whether it--

Mr. Wildman: Let us leave it to the government.

The Vice-Chairman: It does not matter where they come from.

All right. Number 2(a), (b)?

Mr. Wildman: Under (c), I would just add "Sault Ste. Marie should be made the northern Ontario base for Tel-Med which is already being developed by the groups' health centre."

Mr. Taylor: I question the relevance of this whole section to the mandate of the committee.

The Vice-Chairman: Is that it?

Mr. Taylor: Yes.

Mr. Wildman: The purpose of this is to try to meet the immediate concerns of the community facing a major layoff by bringing forward some programs the provincial government is considering for the immediate construction jobs, for one thing, and for the diversification of the economic base of the community.

Mr. Taylor: You are recommending social and health programs which are not unique to Sault Ste. Marie. They may be if you are saying Sault Ste. Marie is going to suffer economic collapse if the government does not step in and activate make-work programs and social spending. If you are saying that, I believe the committee should introduce this by underlining that a massive government spending program is important to ensure the economic health of Sault Ste. Marie, and that the committee suggests the following public works be undertaken, or something. If the reason is that you want to upgrade your hospital, then you are going to have some problems with other communities.

Mr. Morin-Strom: I would point out that these are the recommendations that came forward very strongly from the chamber of commerce's presentation--

Mr. Taylor: On, sure.

Mr. Morin-Strom: --made by Mr. Nori, in terms of health being a major area of provincial expenditure in every community. These are rather specific health initiatives related to Sault Ste. Marie with regard to concerns right now in our community.

Mr. Taylor: Mr. Nori speaks highly of you, too, but again, the brief was pretty broad in scope. While it focused on a potential layoff at Algoma, it encompassed an economic strategy for the area, which any municipality might advance.

Mr. McGuigan: We recognize this as a shopping list we have taken from a number of proposals that have been brought forward. I do not think any of us is under the illusion that any government will institute every one of these, but they are a number of things that would help the community. We recognized from the very beginning that there was a problem either now or developing and these are some of the ideas that might assist. I believe we are quite within our mandate to offer these things.

Mr. D. W. Smith: On that first line of number 2, would it be more appropriate to have, "the provincial government should endeavour to provide," rather than "should provide?" Is that a little too strong?

Mr. Vice-Chairman: Is "The government should endeavour to provide" acceptable, Mr. Morin-Strom?

6:10 p.m.

Mr. Morin-Strom: Sure.

Mr. D. W. Smith: When you say "should," you almost commit them to doing it, and there are quite a few requests.

Mr. Taylor: Is it premised on an ailing economy, or is it just something the government should do because everybody should have this kind of thing? I do not quarrel with the content with respect to every citizen in Ontario having these services.

The Vice-Chairman: Mr. Taylor, I think the whole thing is premised on a--

Interjection: The problem is that in many--

Mr. Taylor: It should say that.

The Vice-Chairman: But that is the whole raison d'être of the report.

Mr. Wildman: Next year, \$43 million is going to be taken out of the economy of Sault Ste. Marie with these layoffs. If you put some of that payroll back by hiring construction workers to build a capital project to which the government is already committed, we are suggesting they speed it up. That will help the community and provide some jobs.

In the long term, it is going to meet the need of developing the Sault as a health care centre, which is one of the proposals made for diversifying the economy of that community.

The Vice-Chairman: On to recommendation 3.

Mr. Wildman: Just in terms of 2(d), I would change "tax and grant incentives" to "government regional development programs."

Ms. Madisso: What is it again?

Mr. Wildman: Take out "tax and grant incentives" and replace it with "government regional development programs."

The Vice-Chairman: Okay. On to recommendation 3.

Mr. Wildman: There is a typo in 3(a). "Schools" is misspelled.

Mr. Morin-Strom: Recommendation 3(c) should be divided in two; (d) should start with the second sentence, which refers to the high school. That is different from the service specialties.

Mr. Wildman: Starting at "The province should implement the promise made in the throne speech," it should be (d), a separate one.

Mr. Morin-Strom: At the top of page 8, I would insert "northern Ontario" in front of "high school."

Mr. Wildman: Yes.

Mr. Morin-Strom: I would add at "at Sault Ste. Marie" at the end.

Mr. Wildman: I would be sympathetic to that, but I do not actually think we can say that.

Mr. Taylor: Just a caveat.

The Vice-Chairman: I relish these, Mr. Taylor.

Mr. Taylor: We are drawing all kinds of conclusions involving hundreds of millions of dollars without any study by the committee in terms of the need, cost benefit, or anything else. I believe it attacks the credibility of the committee.

Mr. Wildman: All right. I will agree with that, and say that for 3(d), we should state, "The provincial government should complete the cost benefit analysis for the implementation of its promise made in the throne speech of April 22, 1986 to establish a northern Ontario high school of science and technology as soon as possible."

The Vice-Chairman: Mr. Wildman, what would you think of that as the preamble to recommendation 3 itself, so that it encompassed all of these? I think, Mr. Taylor, that was your difficulty with the word.

Mr. Taylor: As the whole thing, yes.

Mr. Wildman: Do you mean in terms of feasibility?

The Vice-Chairman: Yes.

Mr. Wildman: Sure.

The Vice-Chairman: In recommendation 3, just put that as "The provincial government should assist," and--

Mr. Taylor: If you are going to hallucinate, you are doing it on a grand scale.

Interjections.

Ms. Madiso: "The provincial government should complete the cost benefit analysis of the following"--

Mr. Wildman: Yes, at the beginning of recommendation 3: "should complete the cost benefit analyses for the development of educational facilities such as," then (a), (b), (c) and (d).

The Vice-Chairman: On to recommendation 4.

Mr. Bernier: Does the government ensure there will be financial assistance?

Mr. Taylor: Hang on a second.

The Vice-Chairman: We force people to take it.

Mr. Wildman: I am not sure we should have that line in there, Mr. Bernier. We should take it out and start the point with the feasibility study they are doing.

Mr. Bernier: I think you are right.

Mr. Taylor: If it is in the public interest to have the railway,

then presumably the public will have to bear its cost. If it is not economic for the private sector, the government should not be supporting the private sector and should get out of it.

Mr. Wildman: Why do we not take that sentence out and have the point read: "The provincial government's current feasibility study on the refurbishing and promotion of the Algoma Central Railway tour train should include labour representatives. The standing committee encourages the province to conduct its study expeditiously, given the importance of the train to tourism in Sault Ste. Marie and district."

Mr. Morin-Stron: We should reverse the two sentences and put the priority on conducting the study expeditiously.

Mr. Taylor: We eliminate the first sentence and reverse the order of the last two.

Mr. Wildman: Okay. In point (b), I would change "hills" to "resorts."

The Vice-Chairman: Would you say "ski resorts" or just "resorts"?

Mr. Wildman: Ski resorts.

The Vice-Chairman: Is point (c) concerning the waterfront okay?

Mr. Wildman: Yes. In point (d), I would put in the word "sports" before "fishery," so that it reads "sports fishery."

Mr. Taylor: What about commercial fishing?

Mr. Wildman: This is under the tourism section.

Mr. Taylor: That is true.

The Vice-Chairman: We could make note of a fish and chip stand or something.

Mr. Morin-Stron: In point (c), which refers to the Great Lakes Visitor Centre, there should be a reference to some kind of study.

Mr. Wildman: That is a good point. I do not know. What do you think?

Mr. Morin-Stron: Throwing that in could mean a commitment of \$20 million up front and considerable operating costs.

Mr. Wildman: On the other hand, I do not think any of us should make apologies for this kind of proposal. After all, the government has put substantial funding into Ontario Place and Ontario North Now at the Toronto waterfront. That has been very good and beneficial to this area and the province as a whole.

The province has put a good deal of money into the Ontario Science Centre in Toronto and Science North in Sudbury. I do not think this committee or the community of Sault Ste. Marie should be making any apologies for suggesting there should be similar assistance for its waterfront.

Mr. Taylor: I requested that the domed stadium go in Picton.

Mr. Wildman: It would have made more sense.

The Vice-Chairman: The would mean just a little extension of the subway.

Mr. Morin-Stron: The Great Lakes Visitor Centre should be re-examined.

Mr. Taylor: Why do we not take out the words "for example"?

Mr. McGuigan: There is nothing wrong with the way it is. The provincial government is rebuilding the Toronto waterfront. It is valid that it look at other communities.

6:20 p.m.

The Vice-Chairman: Mr. Taylor came up with a good point when he suggested deleting "for example" and saying, "including the capital operating costs for the Great Lakes Visitor Centre." It could say "to include" or something such as that, or we could just leave it the way it is.

Mr. Taylor: You are not going to save any money right away.

The Vice-Chairman: Do you want to keep it as "for example" or put "included"?

Mr. Morin-Stron: Keep it.

The Vice-Chairman: Any comment on 5? On 6, 7 or 8?

Mr. Wildman: The only thing we did not mention with regard to Wawa, which was discussed by the committee, was the proposal made by the minister for location of the minister's staff person in the community to assist the municipality in its dealings with the province with regard to economic development. I think he talked about locating an economist there. I thought, in our discussions last week, we made some comment about that in relation to the recommendation about the community futures program.

Mr. Taylor: I would think the taxpayers of Ontario would be happy if there are not any more rescue packages because if one put a price tag on this, I think it would be pretty expensive.

Mr. Wildman: I do not think this is a package, Mr. Taylor. I think this is a number of recommendations, some of which will be acted upon and some of which will not be.

The Vice-Chairman: Did you want that included then, what you refer to as establishing an economist?

Mr. Wildman: Yes, in that sentence on page 2, at the bottom: "The provincial government should also conduct seminars..." I think we should acknowledge that the Minister of Northern Development and Mines (Mr. Fontaine) has proposed locating an economist in the community of Wawa to help them in the immediate future with economic development.

Mr. McGuigan: You can say we endorse the position.

Mr. D. N. Smith: On 5, it is going back a piece.

The Vice-Chairman: On page 4?

Mr. D. W. Smith: No, on page 8. When you are talking about northern Ontario, are you saying there the communities of the north, as well as the Ontario government, or are you just talking about the Ontario government?

Mr. Wildman: That is the name of the committee. The committee is the Advisory Committee On Resource Dependent Communities in Northern Ontario.

Mr. D. W. Smith: Who will be putting reserves into this fund? Is it just the municipalities?

Mr. Wildman: Neither. Not the municipalities at all. The recommendation of that committee is that the province do it.

Mr. D. W. Smith: Does it clarify that?

Mr. Wildman: It says "...endorses the recommendation of the Advisory Committee On Resource Dependent Communities for the establishment of a northern Ontario fund from which a community in crisis could draw when seeking to diversify its economy."

Mr. D. W. Smith: In any community, you put reserves away for some time in the future. I wondered if it should be a joint venture and it should be clarified as a joint venture.

Mr. Wildman: We could make that as a separate recommendation, but this statement is endorsing the recommendation of another committee. We cannot change their recommendation.

The Vice-Chairman: It is referring to a recommendation already made.

Mr. Wildman: "It is endorsed as a recommendation by the Advisory Committee On Resource Dependent Communities for the provincial government to establish..." Would that clarify it?

Mr. D. W. Smith: Yes. It does not say who is putting up the funds, in my mind.

Mr. Wildman: So we say, "The committee endorses a recommendation of the Advisory Committee On Resource Dependent Communities that the provincial government establish a northern Ontario fund from which a community in crisis could draw when seeking to diversify."

Mr. D. W. Smith: That clarifies it but perhaps it should be "in conjunction with the municipalities," so that if they have a good prosperous time, they can put some away and the two can work together.

Mr. Wildman: Again, you can make that as another recommendation for this committee, but we cannot change the recommendation of the other committee.

Mr. D. W. Smith: We will leave it.

Mr. Bernier: There is no possibility in our recommendation that this fund would lean on the resource industries?

Mr. Wildman: Not in ours, no.

Mr. Bernier: I gather there is a feeling somewhere in those recommendations that the resource industries would contribute.

Mr. Wildnan: In the recommendations of the other committee, it says specifically, as I recall, that there be no additional levies on the resource industries but rather that the levies now in effect be redirected into that fund.

The Vice-Chairman: I take it the committee is satisfied with this report?

Mr. Wildnan: Yes, and I would like to thank our researcher. She has done a very good job in a difficult situation.

Ms. Madisso: You realize there is more to come. You are not off the hook yet.

Mr. Taylor: I am not satisfied.

The Vice-Chairman: You never are.

Mr. Wildnan: Mr. Chairman, can I ask something about process here? We come back on Wednesday when we will have the rest of the draft. Is that right?

Ms. Madisso: I will have some for you. I will have these changes made. I do not know that I will have the first two or three sections complete.

Mr. Wildnan: Our next committee meeting is Thursday?

Mr. Taylor: He has to plan his news conference.

Mr. Wildnan: I am trying to find out whether or not I have to be on this committee next Thursday.

The Vice-Chairman: Your understanding is correct. We would resume on Thursday. There is nothing on Wednesday.

Mr. Wildnan: We would not have a meeting on Wednesday. We will meet on Thursday.

The Vice-Chairman: That is correct.

Mr. Wildnan: At that time you hope to have--

Ms. Madisso: I think I will have everything for you.

Mr. Wildnan: After we complete the draft, do we table it in the House? Is that how it works? That would be some time next week?

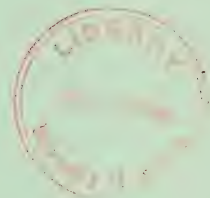
The Vice-Chairman: I do not know whether it would be that soon. Would the committee agree also to consider the Terrace Bay business on Thursday and not meet Wednesday? All right. The committee is adjourned until Thursday.

The committee adjourned at 6:27 p.m.

XC13
- ST/

R-11

STANDING COMMITTEE ON RESOURCES DEVELOPMENT
ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
THURSDAY, JUNE 5, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Morin-Strom, K. (Sault Ste. Marie NDP) for Mr. Ramsay

Wildman, B. (Algoma NDP) for Mr. Hayes

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, June 5, 1986

The committee met at 4:17 p.m. in committee room 1.

1984-85 ANNUAL REPORT OF THE
MINISTRY OF INDUSTRY, TRADE AND TECHNOLOGY

Mr. Chairman: The resources committee will come to order. The budgets have been distributed to the committee. It allows for more than we think we will need. However, if we do not use it, we just do not spend and it reverts back to the Consolidated Revenue Fund. We thought that in case there are sittings in September or October before the House comes back, when the Board of Internal Economy might not be sitting, it would be better to put the budget in as is, rather than be scrambling around to get approval later. Are there any problems with the budget? You will notice that it allows for 48 sitting days in total.

Mr. Knight: I thought, in the interests of apprising the committee of the discussion that went forward this morning on the budget for the select committee on economic affairs, there was some concern with respect to the amount for catering. Mr. McGuigan might want to speak to it, too. So we do not pass by a discussion on it, if we agree with the catering amount, no one will take us to task. They suggested that \$100 per day was an awful lot of money. Perhaps the service that we have could be handled in another way. Perhaps the clerk could advise us as to what the \$6,000 for catering involves, that I see on the budget.

Clerk of the Committee: On average, when the committee meets twice a day, as it likely will--it will have a morning session and an afternoon session when the House is not sitting--the coffee service that is brought to the committee costs about \$50 per session. Therefore, it will be about \$100 a day. There is provision made in the budget for 48 sitting days which would bring it to about \$4,800. The extra amount is surplus in case the committee decides to entertain or have lunch sent in on any given day.

Mr. Knight: I have no problem with the amount in here. It is just that it was a member from your party this morning who was espousing, in the interests of making sure we keep our expenses to a minimum, that perhaps we should look at it. I wanted to give your colleagues an opportunity--

Mr. Chairman: I did not need to be reminded of that.

Mr. McGuigan: It was for 40 cups. It is probably doubtful that we ever use 40 cups. The other committee decided to try 20.

Mr. Pierce: Could we cut back on the cream and sugar, too?

~~Mr. McGuigan: We are charged the full retail price by the cup.~~

~~Mr. Chairman: As the clerk was finding out earlier, it is simply a transfer.~~

R-1620-1 follows.

(Mr. McGuigan)

~~...to try 20.~~

~~Mr. Pierce: Could we cut back on the cream and sugar, too?~~

Mr. McGuigan: They charge the full retail price, by the cup.

Mr. Chairman: As the clerk was pointing out earlier, it is simply a transfer from the committee to Government Services. It is not as though it is rewarding the private sector, which I know would bother Mr. Pierce.

Mr. Knight: I think Mr. Foulds indicated this morning that the reason committees should discuss these kinds of items is that they are the kind committee members can really get their teeth into, rather than some of the other things that we do not understand.

Mr. Chairman: Mr. Smith, before we move on?

Mr. D. W. Smith: I notice that they are banning smoking in all areas. Maybe we should ban coffee. Maybe it would be something to start on and save a lot of money.

Mr. Chairman: Are there any other comments on the budget? I appreciate the interest the members have shown in the budget.

Mr. Wildman: I think we should only pass this if we ensure that they continue to bring chocolate milk.

Mr. Chairman: We need a motion authorizing the budget and authorizing the chairman to present it to the Board of Internal Economy.

Mr. Pierce: Is that the actual amount of the trip to Sault Ste. Marie?

Mr. Chairman: It is a little higher because I believe, Todd, that it was not quite that high.

Clerk of the Committee: The amount included there was the amount that was approved on a provisional basis and approved by the Speaker for that trip, prior to us having taken it. There was an estimate in place prior to the committee having travelled. I think it will prove to be more than the committee used on that trip.

Mr. Chairman: The chair is looking for a motion.

Mr. Pierce moved that the budget be accepted and presented to the Board of Internal Economy.

■ Motion agreed to.

Mr. Chairman: We need to move on. The draft of parts I and II have been distributed. Part III was the part you went through on Monday. Parts I and II deal with the introduction, the problem and the effects of the problem. That is it. It is basically all the words, as opposed to the recommendation. Because my throat is not in good shape today, could we revolve through the

(Mr. Chairman)

committee in reading it? We will start with Mr. Morin-Strom, since it is his town.

Mr. Morin-Strom: "Introduction: Under what used to be standing order 33(b), 20 members, by petition, could referred--

I guess "could" should be out?

Ms. Madisso: Yes, ~~that~~ ^{that} "could" should be out.

Mr. Morin-Strom: --"referred the annual report of the Ministry of ~~Industry, and Trade~~ ^{and Technology} to the standing committee on resources development. The preamble to the petition reads as follows: "In

Do you want me to read that?

Mr. Chairman: Yes.

Mr. Wildman: I do not think we need the petition, do we?

Interjections.

I am sure somebody will check to make sure it is correct

Mr. Morin-Strom: "In order to more thoroughly understand the nature of the problems facing Sault Ste. Marie, Wawa and Algoma district, the standing committee on resources development invited to appear before it a number of experts from the steel industry. From the public sector, it requested the appearance of the committee of deputy ministers, consisting of representatives from the Ministry of Northern Development and Mines, the Ministry of Industry, Trade and Technology, the Ministry of Labour and the Ministry of the Environment. It also met with a representative of the Ministry of Natural Resources. Most importantly, the committee visited the communities of Sault Ste. Marie and Wawa, where, in public hearings, it heard from groups having a direct interest in the layoffs. Committee members greatly appreciate the willingness with which all participants gave of their time and expertise.

"The committee also wishes to commend the Minister of Northern Development and Mines (Mr. Fontaine) on constituting and seeking the advice of the committee of deputy ministers and of the advisory committee on resource-dependent communities."

I am not sure "resource-dependent" should have a hyphen. I do not think the title of the committee has it.

Mr. Wildman: It does not.

Mr. Morin-Strom: "When these groups have all concluded their analyses, the provincial government will have the benefit of a wide range of recommendations on the subject of problems faced by individuals and communities in northern Ontario. It is anticipated that the government will respond to these problems with the sense of urgency that they clearly merit.

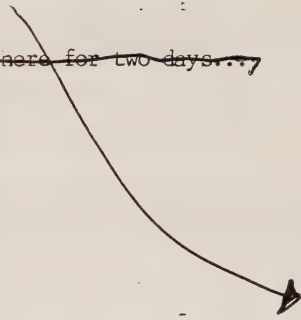
Finally, the committee wishes to thank its own staff, ~~clerk~~ Todd Decker and researcher Merike Madisso, for their assistance with its work."

H

(Mr. Morin-Strom)

I wonder if we should commend the minister for also showing interest enough to be here for part of our deliberation?

Mr. Chairman: Do you want to include that?

Mr. Morin-Strom: The minister was actually here for two days...

S-1625-1 follows.

~~(Mr. Morin-Strom)~~

~~I wonder if we should commend the minister for showing interest enough to be here for part of our deliberation.~~

~~Interjection: Do you want to include that in the~~

✓ Mr. Morin-Strom: The minister was actually here for two days.

Mr. Wildman: It would certainly show that he was interested in what we were doing.

Mr. Knight: If I might may make a suggestion on that particular paragraph, I know that our researcher wished to make a motion, but that being inappropriate, perhaps I might in her stead suggest the inclusion of the word "excellent" just prior to the word "assistance." That would be appropriate.

Mr. Wildman: How about "fabulous"?

"Causes: On April 16, 1986, Algoma Steel Corporation Ltd. announced a "program of action" that would limit its raw steel-making capacity to 2.5 million tons annually, down from 3.5 million tons annually, and that would eliminate ingot production and processing by mid-1987."

Mr. Chairman: The word "and" should be out of it.

Mr. Wildman: No, it is "and." It should be there. It is two things. They are limiting their total production and also eliminating one process.

Mr. Morin-Strom: And associated processing, associated facility.

Mr. Wildman: You want to put in there, "production and processing and associated facilities by mid-1987?"

Mr. Chairman: Where does that go Karl? I am lost.

Mr. Morin-Strom: After the word "processing."

A few little changes in that sentence. The word "the" should be in front of Algoma Steel. The official title of the corporation is "The Algoma Steel Corporation" with a capital "t" and "program of action" should probably be capitalized too.

Mr. Wildman: "Also included is a cost reduction program to be implemented through reductions in salary and hourly employment costs."

I would put in "is a proposed cost reduction". Okay?

"In order to effect this cost reduction, Algoma would decrease the number of its employees from 9,500 to 8,000, this decrease to be effected within 12 months.

"On May 12, 1986, Algoma Ore Division, wholly owned by Algoma Steel, announced that, as a result of this reduction in steel-making capacity, it was forced--it should be "it would be forced"--to lower iron ore volumes. Production alternatives from capacity to shutdown were studied. The division concluded that, for metallurgical reasons, 900,000 tons of sinter is a preferred level when steelmaking is limited to 2.5 million tons annually."

(Mr. Wildman)

If the committee agrees, I would change that. Rather than "the division concluded ~~to~~ read, "company officials argued."

~~it should~~

Mr. Pierce: I would have a question on that kind of statement. What is the reference to that. How do you mean that they argued? Who did they argue with?

Mr. Wildman: If you want to change the "argued" to "stated"--company officials stated."

Mr. Pierce: Sounds like a fight in the board room or something.

Mr. Wildman: All right. "Company officials stated."

Mr. Pierce: That is better.

Mr. Wildman: "It was therefore further concluded that the division has only two options: the production of 900,000 tons of sinter annually or an orderly shutdown." Again, I would change the wording of the first part to read, "the company announced that," rather than "it was therefore further concluded."

The reason I am changing it is it sounds as if there was some kind of discussion involved leading towards conclusions.

Also, I would put the word "orderly" before the word "shutdown" in quotation marks.

"The adoption of the former alternative will lead--"

~~Mr. Chairman: I do not understand that either. Did they not say they wanted an orderly shutdown.~~

~~4:30 p.m.~~

~~Mr. Wildman: The reason I would put it in quotation marks is that I do not think that the steelworkers agree with what R-1630-I follows~~



Mr. Chairman: I do not understand that either. Did they not say they wanted an orderly shutdown?

Mr. Wildman: The reason I would put it in quotation marks is that I do not think ~~that~~ the steelworkers agree with what they are proposing. The steelworkers would not agree that it is an orderly shutdown.

Mr. Chairman: That is not the point.

Interjection: --writing this report.

Mr. Chairman: That is right. It would be unfair editorializing to put that in quotation marks.

Mr. Wildman: I never want to be unfair to Algoma Steel.

Mr. Knight: At some other point you could say the union did not agree.

Mr. Wildman: "The adoption of the former alternative will lead to 175 layoffs."

Interjections.

Mr. Wildman: I do not want to argue about that.

Mr. Pierce: Is 175 conclusive or is it approximate? Can you use the word "approximately" 175?

Mr. Wildman: No. They have said exactly 175.

Mr. Pierce: That is why I am wondering if you should use the word "approximately."

Mr. Wildman: Wait a minute. That would be unfair. If it is unfair to editorialize on "orderly," why are you editorializing "175"?

Interjection: --that word "orderly."

Interjection: They are two different words, that is why.

Mr. Pierce: You are definite at 175, ^{but not so definite about} ~~it~~ --orderly.

Mr. Wildman: Mr. Chairman, you said earlier in the other statement that the company had said "orderly," so therefore we should not editorialize.

Mr. Chairman: That is what I said.

Mr. Wildman: If the company has said 175, why are we now editorializing on it.

Mr. Pierce: We should not.

Mr. Chairman: Leave it.

8

Mr. Wildman: Unfortunately, these two developments are part of an ongoing problem with the steel industry and with Algoma Steel in particular. Since extensive layoffs occurred in 1982, (the number of employees dropped from 11,689 in 1981 to 6,676 in 1982), Algoma's labour force has continued to decline. The committee heard a number of explanations for the downturn in the North American steel industry during the last ^{several} years. There is some dispute among the experts as to whether or not these explanations account for all of Algoma's problems or whether there are, in addition, reasons that are specific to this company alone."

I do not want to cast this unfairly, but I would say that with respect to the appearances before this committee, the dispute was between the analysts in Toronto and Jamie Melville, not among the analysts.

Mr. Chairman: If you want to, you should be prepared to state the analysts then. You cannot just generalize about it. Do you want to say, so and so?

Mr. Wildman: I do not have a wording here. I am just thinking aloud for a moment.

All of the analysts, from whatever point they came, indicated there was a major problem for steel in general in North America. They pointed to the steel intensity which is mentioned later on in the text, etc. Also, they all, with different levels of vociferousness indicated that they thought some of Algoma's problems were related to the fact that Algoma had made some serious mistakes. I am not sure we want to say that but I do not want to cast our statement in such a way as to indicate, while we heard that kind of evidence, we are discounting it.

Mr. Chairman: The way Merike has worded this now, it hints at that, does it not?

Mr. Wildman: The problem is not so much with that statement, but in subsequent paragraphs they are all Algoma's position. They are not the analysts' position.

Mr. Knight: I do not suppose Mr. Melville could be considered an expert.

Mr. Wildman: Not in steel.


Mr. Knight: The word here does not say analysts.

Mr. McGuigan: It is not our purpose to ~~be~~ cast blame or decide who is at fault. Our purpose is to try to help the people in that community. I think you just leave it the way it is.

Mr. Wildman: I understand and I do not disagree with that, but I do think we should not be writing a report that could be interpreted as saying this committee basically finds the evidence given to us by Jamie Melville and Teli^o Berdusco as good evidence, but we are discounting the evidence given by Jay Gordon, Mr. Liddy and Marsh Miller.

Mr. Chairman: If we want to deal with the testimony of the analysts who came before us, we should state in a separate paragraph that certain analysts appeared before the committee and expressed the view, that...We can deal with it that way so we are not mixing together Algoma's company officials and the analysts.

~~Mr. Wildman: I agree with that. In that regard, we have to consider R-1635 I follows~~



~~...The committee expressed the view that and that with that they are not mixing together general principles and the analysis of the situation.~~

Mr. Wildman: I would agree with that. In that regard, I think the thing we have to consider is basically what the analyst said. *The* Algoma *Steel Corp. Ltd.* was in difficulty because of the overall problem with steel but also because of its dependence on structurals and pipe. In the immediate situation, with the downturn in the oil industry, its market had disappeared, whereas other steel companies that are not as dependent on those particular areas are not in as difficult a position as Algoma.

Mr. Chairman: Merike, is it possible to dig that out?

Ms. Madisso: Sure. That is no problem. I started to make that point later on, but perhaps I *did* not make it strong enough. The other question: Did you want more of a comment about management decisions?

Mr. Wildman: No. I personally might like that, but I do not think it is really the purpose of this committee ~~is~~ to be critical of management decisions.

Mr. Chairman: If you look on page 4, the first big paragraph *deals with* the analyst's report.

Mr. Wildman: Sorry. I had not read that. Maybe that deals with it. Why do we not leave it until we get there and see if it--

Mr. Morin-Strom: Can I go back to the paragraph ~~that~~ we were discussing at the bottom of page 2? I think the reference to the drop in employees should be taken out. I do not think those figures are representative of what happened, and I do not think they are figures that people normally see in the Sault. I do not know precisely what the source of those ~~are~~ *are*, but 1981 compared to 1982 is not really the relative comparison at the present time. In 1982, there was a severe drop because of market conditions and then a gradual pickup, ~~and to pick two specific points, particularly two that are three or four years back instead of taking the second one as being what it is, say, in 1985, it is kind of out of date, and not really relevant to the situation as we start at the time of this announcement.~~

Mr. Wildman: I would suggest that if we want to put figures *in* there, we take the figure from 1981 and compare it to 1985, rather than 1982. *that of* *that of*

Mr. Chairman: Why do we not try to do that? I think that makes more sense.

Mr. Morin-Strom: There is another problem *with* on that one. Even at 11,000, I suspect that may be just a union figure. *Sault Ste. Marie*

Ms. Madisso: No, *it* is the chamber of commerce, I think.

Mr. Wildman: The employees in Sault Ste. Marie.

Ms. Madisso: Yes.

Mr. Wildman: *saying the* ~~What Karl is referring to is, he says that figure is~~ probably unionized workers, and does not account for staff, of which he used to represents

be a member.

Mr. Morin-Strom: I ~~had~~ ^{that} understood at one point, it peaked ^{at} around a 12,000 total Canadian work force, which is basically Wawa plus the Sault. *of around 13,000,*

Mr. Chairman: Okay. That should be sorted out, then, Merike. Either we say hourly-rated, 1981 to 1985, or we say total number of employees, 1981 to 1985.

Mr. Morin-Strom: I suggest that we ~~may~~ actually take out the whole thing in brackets. I am not sure ~~if~~ it is even necessary.

Mr. Wildman: I think it would be useful if we can get the figure. If we cannot, ~~then~~ we should take it out.

Mr. Chairman: Okay.

Ms. Madisso: They come from the chamber of commerce, and simply say number of employees. I accept that to be totals.

Mr. Chairman: I do not think it is the appropriate source.

(The number of hourly-rated employees)
Mr. McGuigan: ~~It~~ declined by roughly half. That is the main point. The thing that really strikes you is the decline by half.

Mr. Chairman: By almost 50 per cent.

Mr. Morin-Strom: That ~~is~~ ^{does} not reflecting the two perceptions as to what happened in the community, because the generally accepted figures ~~are~~ ^{is} something around 12,000, which is close to what they thought here as being what the start was. ~~They~~ ^{it} declined to about ~~half~~ ^{one} for most of the recession, and ~~then~~ gradually increased ~~back up~~ ^{up} to about ~~half~~ ^{one} as of the end of 1985.

Mr. Chairman: Let us not dwell on that. Merike, you can get those numbers from 1981 to 1985, and either restrict it to hourly-rated or say total number of employees.

Mr. Wildman: Usually, there are two sources you get ~~it~~ ^{them} from, you get it from the ~~steelworkers'~~ local or ~~from~~ the companies.

Mr. Chairman: The company ~~would~~ ^{should} have both.

limited steelworkers
Ms. Madisso: I assumed the chamber ^{of commerce} got them from the company, ~~that~~ ^{is} why I used them.

Mr. Wildman: "Algoma gave a number of reasons for this sudden downward plunge, reasons that it believes affected the entire North American industry. Thus, in the early 1980s, for example, the volume of imports increased and became a permanent factor with which the domestic industry has to contend. These imports are price leaders, the result of superior technology, lower labour rates and assistance from offshore governments."

4:40 p.m.

Just before we go ahead, I am not sure we can actually say that.

R-1640-1 follows.

~~(Mr. Wildman)~~

12

~~Just before we go ahead, I am not sure we can actually say that.~~

Ms. Madisso: The company said that. That paragraph deals with the company's presentation.

Mr. Wildman: I understand that. I am not really disputing it. Are we as a committee able to say that their problem related to offshore governments helping offshore producers?

Ms. Madisso: That paragraph is a restatement of what the company said, but maybe I could make that clearer so there is no mistaking it in the committee.

Mr. Wildman: "Second, ^{by} steel intensity, defined as the consumption of steel relative to the gross national product, is declining. Because steel is becoming better and engineering is improving, less steel is needed in the construction of high-rise buildings, for example. Steel is also being replaced by plastic in cars.

^{That} "Third, the North American economy is generally moving towards service and technology industries and away from industrial development. As far as iron ore is concerned, Canadian mining must contend with competition from offshore ^{which} has created a surplus, which is in turn driving ore prices down."

I ~~do not have~~ ^{no} dispute with any of that, except to point out that the main problem for ~~the~~ ^{the} Algoma ore division is not offshore but rather St. Lawrence-produced ore--Labrador ore.

Mr. Chairman: Michigan.

Mr. Wildman: For Algoma ore in Wawa itself, yes, Michigan is a factor, but both the Tilden mine in Michigan and the Wawa mine are in an uncompetitive position with regard to Labrador and Quebec ore.

Mr. Morin-Strom: ^{may} Can I suggest a change of wording?

Mr. Chairman: Yes.

Mr. Morin-Strom: We say, "must contend with competition from Labrador, Quebec and offshore."

Mr. Wildman: We could just say "St. Lawrence" instead of ~~saying~~ "Labrador, and Quebec." That is what I mean.

Mr. Morin-Strom: Okay--"from St. Lawrence and offshore, which ~~are~~ driving ore prices down." I do not think we should say, "which has created a surplus."

Mr. Wildman: There is a surplus.

Mr. Morin-Strom: That is not fundamentally what is driving the prices down. I am not sure we can say ~~that~~ ^{it} is, rather than lower costs.

Mr. Pierce: Karl, ~~what is being said here~~ ^{these} are the statements ~~that~~ Algoma Steel makes in this paragraph. We are not saying anything.

id → ok: refer to "competit"

13
Mr. Morin-Strom: I cannot remember ~~them~~ ^{it} saying that it was due to a surplus. There is also the argument that it has been low cost.

Mr. Wildman: With respect, Algoma Steel did say this, but ~~they~~ ^{it} also said a lot more. ~~They said their problem was not offshore ore, their problem~~ ^{it} ~~was~~ ^{that it} St. Lawrence ore, ~~and~~ ^{but} the main problem with regard to Wawa was that it was an underground mine, having to compete with open-pit operations.

Mr. Chairman: Bud, may I also suggest that you not use the word, "St. Lawrence"? That does not mean anything to anybody who is not very familiar with this ore.

Mr. Wildman: Or ^{it} eastern Canadian ore."

Mr. Chairman: Merike, where do you stand on that? Are you okay on the rewording?


Ms. Madisso: Just clarify ^{it} for me ^o what else do you want in, Bud, that you mentioned just now?

Mr. Wildman: ~~They said their problem is,~~ ^{it} ~~in terms of Wawa itself, is~~ ^{that it} ~~that it is an underground mine, and it is having to compete with open-pit~~ ^{the problem} ~~operations. It is the only underground iron ore mine. Having said that, even~~ ~~the open-pit operation in Michigan is not competitive with eastern Canadian~~ ~~ore.~~ ^{at the Tilden mine in}

Mr. McGuigan: ~~On the~~ ^{it} St. Lawrence ^o conveys to me the concept of the seaway, cheap transportation and bringing it up. It does not really matter where it is from, whether it is from Labrador or from Brazil; it is the fact that we have the St. Lawrence Seaway to bring it up ~~there~~ ^{cost} cheaply. I think surplus ~~does have a~~ ^{cost} factor in this, because we have a world surplus, and the Labrador ~~price~~ ^{cost} has to be priced in competition with Brazilian ore or whatever, which falls right up the line and puts price pressure on the other people.

Mr. Wildman: I agree with you, Floyd. ^o ~~The~~ St. Lawrence ^o does not mean anything; the term "St. Lawrence ore" is the term used in the industry. ~~The Algoma~~ ^{at the} St. Lawrence price delivered in Sault Ste. Marie ~~they said~~ ^o was \$68.50 a ton, whereas the Wawa price delivered in Sault Ste. Marie was ~~more than~~ ^{about} \$90. The Tilden ore delivered to Sault Ste. Marie was ~~— \$95 a ton.~~ ^{about} ~~a ton~~

R-1640-1 follows



~~(Mr. Wildman)~~

~~delivered in Sault Ste. Marie they said was \$68.50 a ton, whereas the Wawa price delivered in Sault Ste. Marie was \$90 and something and the Tilden ore delivered to Sault Ste. Marie was \$85.~~

Mr. Chairman: All we are trying to do here is hit the highlights or the main reasons they made.

Mr. Wildman: Right.

Mr. Chairman: The main reasons are covered except that you might want to include ~~that~~ the presence of off-shore ore is a factor. It is there so they are working there to keep the--

Mr. Wildman: They said they had to match that ^{+ that} somehow.

Mr. Chairman: There are also the transportation costs by seaway rather than by rail. If you include that, you would really have hit the highlights.

Mr. Wildman: And the open pit.

Mr. Chairman: Right. Why do you look so surprised, Mr. Morin-Strom?

Mr. Morin-Strom: I would change some things in here.

Mr. Chairman: It is your company.

Mr. Morin-Strom: I would be inclined to take everything out after that comma.

Mr. Chairman: Where.

Mr. Wildman: He means after "offshore."

Mr. McGuigan: For people not familiar with this, they can get the concept of ore coming through the ceiling.

Mr. Morin-Strom: Another thing that has to be change is this "because steel is becoming better and engineering is improving."

Ms. Madisso: They said that.

Mr. McGuigan: Better quality.

Mr. Morin-Strom: You talk about construction now.

Mr. Chairman: Can we deal with one problem at a time here? We are dealing with the last sentence. Would it ~~not be ??~~ if we said, "As far as iron ore is concerned, Canadian mining ^{make you happy} I would not even say "Canadian mining," I would say "Algoma's source of--"

Mr. Wildman: Algoma's mines.

Mr. Chairman: ^V mines must contend with cheaper open-pit operations.

Mr. Wildman: Why do you not say "compete with?"

Mr. Chairman: Right "~~the~~ cheaper open-pit operations, lower costs of transportation by water"--as opposed to rail and, there was a third one. What was it? I think there were only two.

Mr. Wildman: You were talking about--

Mr. Morin-Stran: And maybe price discounting from off shore, or something like ~~the~~ ^{that} cheaper off-shore ore.

Mr. Chairman: Cheaper under the presence of--

Mr. Wildman: Less expensive.

Mr. Morin-Stran: Or subsidized ore from off shore.

Mr. Pierce: May I ask a question? Is the Laborador ore loaded directly on the boat?

Mr. Chairman: No. It goes by what they call a "unit train" or something.

Mr. Wildman: ^{It is a} unit train and the unit goes on the ship.

Mr. Chairman: It is almost like those containerized things that go right on the ship. It is pretty impressive.

Mr. Pierce: Is that right?

Mr. Pierce: It is hard to imagine that being ^{cheaper} ~~done~~.

Mr. McGuigan: It is the next best thing to a pipeline.

Mr. Pierce: It is hard to imagine that being cheaper if you have to get it to the port head first by container.

Mr. Chairman: ^{have to} And they must ship them back.

Mr. Pierce: Do you have to ship the container back?

Mr. McGuigan: No. These are cars. They are not containers separate from the cars.

Mr. Pierce: But they still have to go back.

Mr. McGuigan: Yes, they have to go back empty.

Mr. Chairman: It is like square pipelines.

Mr. McGuigan: The fact is there is no switching, stopping and picking up cars and dropping cars all along a route. If there are 100 cars, all the 100 cars contain one product.

Mr. Pierce: I can appreciate that part of it. Just in reference to the one with Wawa and Algoma Steel, there is no switching of cars either; that is a committed train that goes directly down to the steel mill. It certainly was a different situation in the Atikokan area where they committed trains to Thunder Bay, then they were converted the boats and then converted back to the land, and then they were put back into the steel mill.

Mr. Chairman: Can we move on? Is there any problem with that, Ms. Madisso?

Ms. Madisso: No.

Mr. Chairman: Mr. Morin-Strom, is there anything else?

Mr. Morin-Strom: In one line where we made reference to the construction of high-rise buildings, I recall there being two fundamental factors there. One is lower-weight, higher-strength steel, which is the better steel, and the other is the fact that there is better concrete construction which allows high-rise buildings to be built out of concrete instead of steel.

Mr. Wildman: Why do we not just say "new construction techniques?"

Ms. Madisso: ^{Point on} The construction out of concrete was made by Mr. Gordon, but I do not think Mr. Melville referred to it.

Mr. Wildman: Mr. Melville said that too.

Ms. Madisso: Did he say that?

Mr. McGuigan: It was 17 pounds a square foot for one as compared to 34 formerly.

Mr. Wildman: Yes. There is half as much steel in a concrete building now than there was once. That is what Mr. Melville said.

~~Mr. Chairman: Is it not correct that steel becoming better and engineering is playing the steel is better in the construction of high-rise buildings?~~

~~Mr. McGuigan: It is better quality.~~

~~6.50~~

~~Mr. Madisso: Is it not correct that steel becoming better and engineering is playing the steel is better in the construction of high-rise buildings?~~

??

R-1650 follows

~~That is what I want~~

Mr. Chairman: Is that not covered? "Because steel is becoming better and engineering is improving, less steel is needed in the construction of high-rise buildings."

Mr. McGuigan: Much better quality.

Mr. Morin-Strom: It needs the sense, though, that the steel is becoming better. In many cases, I think the concrete is better.

Mr. Chairman: You might say that in a new sentence as well.

Mr. Wildman: Let us just say "new construction techniques."

Mr. McGuigan: In the automobile it is better steel. They are putting better steel in the automobile. There is more strength per pound of metal in the steel that is used in a lot of automobiles today than formerly.

~~They are~~
Mr. Morin-Strom: high-strength, low-alloy steels.

Mr. Pierce: I think you are covered by "because steel is becoming better and engineering is improving," which is engineering in all sectors.

Mr. Wildman: Yes, that is true.

Mr. Pierce: How specific do you want to get?

Mr. Morin-Strom: One of the problems is the concrete buildings actually use a lower grade of steel than the steel buildings. ~~Rebar~~ ^{Rebar} is a very low grade of steel.

Mr. Pierce: But they use less.

Mr. Morin-Strom: It is not better steel in the case of a concrete building, but actually they are using low-cost ~~mini~~ mini-mill steel.

Mr. Wildman: I do not think we have to give a lesson in construction to the people who are reading this.

Mr. Pierce: The engineering is better. That is what he says, that engineering is better.

Mr. Wildman: Why do we not just say "new construction engineering" or "new construction techniques"? That covers it.

Mr. Chairman: What are you changing then?

Mr. Wildman: "Because of changes in construction technology and new construction techniques, less steel is needed in the construction of high-rise buildings."

Interjection: That is better.

Mr. Chairman: You have convinced your colleague as well.

Mr. Pierce: We are not building many high-rises. That is the problem. ~~not~~ enough new housing units going up in steel.

~~There are not~~

Mr. Wildman: "In response to all of the above, Algoma believes that the only way it can meet the market as it now exists is to downsize its operations--nence, its 'program of action.' By eliminating the ingot process, it is trying to rid itself of an inefficient operation."

Mr. Chairman: Excuse me. We have capitalized "Program of Action" before, have we not?

Interjection: Yes.

Mr. Wildman: "Its conversion to 100 per cent continuous casting is intended to improve costs and quality. Company management stated to the committee that, in adopting these measures, Algoma is not alone, not off on some tangent--that is, it is doing what the industry as a whole is doing to respond to problems beyond its control.

"The committee also heard from steel industry analysts, some of whom did not agree that Algoma is facing problems not of its own making. There seems to be general agreement that the market for steel is rapidly shrinking because, for example, steel is being replaced by other materials. The committee was informed of a prediction by General Motors that by 1990, 20 per cent of its cars will have plastic, rather than sheet metal, skins. The drop in oil prices has also resulted in less drilling and hence a decreased need for the seamless tubes that Algoma produces. The North American steel industry is competing with subsidized industries in other countries, which also have lower wages and more modern plants. As far as iron ore is concerned, cheaper Brazilian and Venezuelan ores are on the market, which is, in fact, oversupplied."

I think that covers most of what I was concerned about earlier, except I would like to put in a statement that these analysts felt one of the reasons Algoma is in such difficulty is it decided--

Mr. Chairman: Read the next paragraph.

Mr. Wildman: Oh, the next one?

"Some steel industry analysts are also of the opinion, however, that Algoma has problems specific to itself. Although it is true that the industry is a cyclical one, Algoma has chosen a product line (structural steel, plate, seamless tubes) which is particularly volatile."

Mr. Morin-Stron: That probably should be plural--"chosen a product line...which are."

Mr. Chairman: It is not the line that is volatile; it is the market.

Mr. Morin-Stron: Those are three of their five major product lines.

Mr. Wildman: The chairman is right, though. It is not the lines that are volatile, it is the market.

Mr. Chairman: It becomes a health and safety problem if the lines are volatile.

Mr. Morin-Strom: Okay, "for which the market" "


Mr. Wildman: " is particularly volatile."

Mr. McGuigan: Can you be a little more specific about it? It is tied to the oil industry?

Mr. Morin-Strom: Oil and construction are the two.

~~Mr. Wildman: "Algeria's big commitment to the seamless tube market is a major problem. Although Algeria has not been able to produce seamless tubes at a time when"~~

R-1655 follows



~~(REDACTED)~~

~~...the oil industry. You can say it is related to that. Oil and construction are the two.~~

Mr. Wildman: "Algoma's big commitment to the seamless tube market is a major problem. Although Algoma was not alone in building a new seamless tube mill at a time when oil prices were rising rapidly, the argument was made before the Committee that the second tube mill should not have been undertaken."

Mr. Chairman: Excuse me. Merike, are you okay on that cyclical thing?

Ms. Madisso: Yes.

Mr. Wildman: My concerns are covered except that we have not mentioned the other major problem. Algoma is phasing out ~~three construction lines~~, three lines; structurals, pipe and rail. Right?

Mr. Morin-Strom: There ^{are} five. ~~We have three of them mentioned here. There is plate, and structurals, and tubes are the three big ones that are mentioned here that are vulnerable.~~ The other two big ones are sheet and strip, which ^{have} ~~is~~ a consumer product based but they are ^{a far} ~~filed~~ lower percentage than the other major companies.

Mr. Chairman: Sheet and strip?

Mr. Morin-Strom: And rails.

Mr. Wildman: Rails. We are not going to mention sheet, ~~and~~ strip, and rails. The point that we--

~~(Mr. Morin-Strom)~~

~~Interjection:~~ These three are the ones that are vulnerable.

Mr. Chairman: You just did.

Mr. Wildman: For the committee here. For the report, we are not going to mention it. The point that we have to make, though, is that they are not just in trouble because of tubes. That is a major problem, but they are also in trouble because their other major product lines are structural, ~~and~~ when you have a downturn in the economy, there is ~~not~~ construction going on, and they are not selling any of that, either.

Mr. Morin-Strom: Almost all of the plate goes into construction as well. That is the major market for plate firms.

Mr. Wildman: Structural. So the ^{?? struggle, the problem, is with} ~~problem is ?? rather than~~ structural. As Jim mentioned, ~~the tubes obviously if you wanted to explain a little further, in tubes that you are almost completely dependent on the changes in the oil market, with tubes.~~

Mr. Pierce: ^{last} ~~It says that in the ?? bottom paragraph, it makes~~ ^(in that section) reference to the seamless tube mill at a time when oil prices were rising rapidly, so the reference ~~(is there)~~ to the oil industry.

Mr. Chairman: It is not made to construction.

Mr. Wildman: That is right.

Mr. Chairman: Do you want ^{Words} ~~a sentence~~ added, "and construction"?

Mr. Wildman: ^{Yes.} ~~Okay~~ "And construction."

Ms. Madisso: The exploration side of the oil industry? Is that the document you want to make?

Mr. Chairman: No. Construction industry.

Ms. Madisso: Construction. Okay.

77 It is ~~just~~ as well.

Mr. Chairman: ~~They say it as well.~~ The problem is compounded by the fact that the construction industry is cyclical as well. ~~All right.~~

Mr. Pierce: "Effects:

When speaking of the consequences of layoffs in Sault Ste. Marie and Wawa, community representatives used words such as "disastrous" and "devastating". They were speaking of both the loss of jobs themselves and of the "ripple" effect that the loss has on other jobs. If the Algoma Ore Division reduces its staff by 175 permanent positions, the Wawa and district chamber of commerce sees the consequences as follows:

That would mean that several small businesses would close and many others would drastically reduce their staff. A rough estimate would be that 30 per cent of the service industry jobs would be gone. That would, in turn, start the vicious circle in motion again.

"If those 175 workers and their families left the community, there would be many homes up for sale. Real estate values would drop drastically and the lending institutions would become unwilling landlords.

“Business confidence would be hit hard and there would be a noticeable decrease in the services and amenities that we enjoy in Wawa today.”

5: p.m.

"In Sault Ste. Marie the municipal council told the Committee that the city currently has a welfare caseload of 2,300 (that is, before the proposed layoffs have come into effect) and that three per cent of the population is on welfare. With the 1982 layoffs (of approximately 3,000), the welfare rolls doubled in the nine months after the first year following the layoffs, after unemployment insurance benefits had been exhausted. Statistics Canada gives the city's unemployment rate as 11 per cent; however, this is in fact a regional rate, which the council believes to be inaccurate by at least seven per cent. According to its calculations, Sault Ste. Marie had an unemployment rate of 17.5 per cent in 1985 and has a current rate of 18 per cent or higher. The chamber of commerce believes that the rate is in excess of 20 per cent (again, this statistic predates the projected layoff of 1,500 from Algoma Steel),

~~"Wipe" off the loss of those jobs means that the 1,500 should be multiplied by 1.70 to arrive at the total loss in the community, the~~
~~total of the payroll, that is, the~~

R-1700 follows

Mr. Pierce: "The 'ripple' effect of the loss of these jobs means that the 1,500 should be multiplied by 3.5 or 4 to arrive at the total loss in the community as the result of the layoff. Thus, another 5,000 to 6,000 jobs may be in jeopardy." Any comments?

Mr. Chairman: Any comment on that?

Mr. Morin-Strom: ^{Regarding the figure for} ~~One number under~~ the 1982 layoffs--the 3,000 figure--I do not know if somebody mentioned that again quite specifically, ~~but~~ ^{at that time} the generally accepted figure is that that kind of reduction was from about 12,000 to 8,000, about 4,000. The specific figure you provided earlier showed a number of about 5,000. People are getting into problems, ^{of consistency}

Mr. Chairman: I am sorry. Are we talking about layoffs here? You have lost me.

Mr. Morin-Strom: I am looking ^{at} ~~in~~ the paragraph here. It says, in the fourth line, "With the 1982 layoffs (of approximately 3,000) ~~the figure we saw earlier, went from 11,500 to 6,000~~ ^{That} definitely contradicts ~~what~~ the figure we saw earlier, ~~from 11,500 to 6,000~~ ^{It} also contradicts with what the community generally talks about, ~~is~~ a reduction from 12,000 to 8,000, which is generally thought about 4,000 were laid off at that time, and we have covered about a thousand of them ~~in successive~~ ^{up until the end} of 1985. I do not know what the basis for that 3,000 is, ~~and~~ ^{it} just puts the report in question to use a figure like that.

Mr. Chairman: Yes, I agree. Merike, could you find that out?

Ms. Madisso: ^{Should we} ~~what is that?~~ Eliminate it ~~or~~?

Mr. Chairman: I think it is an appropriate number to use, because it is a warning signal of what could lie ahead with the numbers. That bell, by the way, is a vote on a Bill 94 amendment. I am sure we all want to be there, ~~so~~ ^{if} I do not think we should stay here much longer.

Mr. Morin-Strom: Again, those layoffs ~~as well as~~ ^{are} not only the steel plant layoffs. You have not said that explicitly, but that probably should be more explicit, ^{there will be} ~~because~~ obviously, spinoff layoffs elsewhere in the community, so it should be clear, ^{that} you are talking about Algoma Steel layoffs. ^{Corp. Ltd.}

Mr. Wildman: Karl, that is what the sentence is about. What you are pointing out is that with the 1982--

Ms. Madisso: It does not say that.

Mr. Wildman: Yes, it does, ^{if you look at it.} It says, ~~with the 1982 Algoma layoffs, if you want to say approximately whatever number~~ the welfare rolls doubled in the nine months, which shows that there was a tremendous ripple effect.

Mr. Morin-Strom: I just want to put Algoma in there.

Mr. Chairman: We can probably finish reading this, because the bells ~~is~~ always ringing for at least 20 minutes. Do they not?

Mr. Wildman: So what we are going to attempt to do is to get some--

Mr. Chairman: I do not want to rush. That ^{would be} ~~is not fair, to rush it~~ either.

Mr. Pierce: I just wonder if we seem to be getting hung up on figures, and what they represent, and how they are represented in the report, and I agree with what Karl is saying that the figures say on this page do not represent the figures on an earlier page, from 11,500 to 6,000, so it would seem to me somehow, or other we should get the figures closer together. I think that the reference that the council is making, that they had a number of figures, and I do not think that anybody at that time questioned the figures and how they went about getting them. It is pretty hard to tell in the service industry how many jobs are actually lost in any kind of layoff.

Mr. Chairman: ~~May~~ I suggest that, rather than speculating on that, that Merike take the precise numbers on layoffs as determined by Algoma, and then talk to the city about these numbers before we put them into the report. I am sure they can give you accurate numbers.

Ms. Madisso: When you say "these numbers," you are talking about the 3,000, or the ~~1~~

Mr. Chairman: Yes, the welfare figure.

Mr. Pierce: ^{Do} You want to take your report and go to the back room in the west wing, and we will continue with this.

Mr. Chairman: I do not think there is any need. I have never seen an amendment on this particular bill ^{here} that the bells ring for less than half an hour. Do you want to go through the rest of it, and then see if there is--?

Mr. Wildman: We (have only) ~~got~~ three more paragraphs.

Mr. Chairman: Let us go ahead, but we are not trying to rush it, Karl, so do not let us stampede you. Anything else on that paragraph? We will be looking at it again on Monday, so do not--~~we will not~~ everything has been finalized.

Mr. Morin-Strom: That is fine.

Mr. Pierce: "In this connection, the Committee heard from groups concerned with the effect that the layoffs would have on the Algoma Central Railway. The United Transportation Union, for example, estimated that if Algoma Ore Division reduces its output to 900,000 tons of sinter per year, one-third of the Railway's approximately 350 unionized employees will be laid off."

Mr. Wildman: Can I raise a point here? That is quite correct, but ^{However, as} you will recall, and I do not know if we want to point this out in the report, ~~but~~ Stan Black, the vice-president of the railway, did not substantiate that figure when he came before the committee. ~~He indicated that there would be some down siding but he felt that if they were still running trains even if they were small trains.~~

R-1705 follows

~~He~~ He indicated that there would be some down-sizing but that if they were still running trains, even if they were much smaller trains, they would have to maintain crews for the trains. That was one of his arguments, that the railway's operation would be less viable because it would be snipping less ore, but it would have to keep a number of crews. He pointed out that they might cut the number of trains, but he could not substantiate that figure of that kind of a layoff.

Mr. Pierce: Maybe that could be part of the next sentence in this paragraph. It goes from the two unions to the railway company itself.

Mr. Wildman: Yes.

Mr. Pierce: Maybe there could be some reference that the railway said those figures are not completely accurate. "The railway itself pointed out that Algoma Steel is the railway's most important customer and that changes at Algoma Ore Division have a direct impact upon the business of the railway. In fact, freight tonnage in each of the last four years has been lower than in any year in the past 30 apart from two years when work stoppages took a toll."

Mr. Wildman: May I interject here also? I think in pointing out the direct effect on the business of the railway, we should actually quote what the witness said. He said sinter tonnage is 60 per cent of their tonnage, and the business with Algoma Steel amounts to 45 per cent of their revenue.

Mr. Chairman: That is significant.

Mr. Pierce: "Since January of 1982 the number of employees has been reduced from 511 to 394, the last layoff consisting of 60 people on March 31, 1986. The railway's ultimate fear is, of course, that Algoma Ore Division may shut down all operations--an action that may force the railway out of business. In such a case, the Algoma Central Railway tour train would also cease operation."

Mr. Wildman: May I point out here that the word "may," the second-last word in the second line, should be changed to "would." If they shut down the Algoma Ore Division, the railway will not operate. black was quite clear about that.

Mr.

Mr. Chairman: May I ask the local members a question? Will people reading that understand clearly that means Wawa? Would it not be better to say, "The railway's ultimate fear is, of course, that if Algoma Steel ceases buying ores from the Wawa mine"?

Mr. Wildman: Why do you not just put, after "Algoma Ore Division," "in Wawa"?

Mr. Chairman: Okay.

Jack, we are just finding out ~~about~~ about the voice-^{it will be} 5:15 at least.

Mr. Wildman: "The railway's ultimate fear is, of course, that Algoma Ore Division in Wawa may shut down all operations--an action that would force the railway out of business;" or "would probably," if you want to make it less strong.

Mr. Chairman: That is almost like "may."

Mr. Wildman: Instead of "may," you are saying it is likely going to happen.

Mr. Chairman: Right.

Mr. Pierce: "In such a case, the Algoma Central Railway tour train would also cease operation; the ripple effect on the community in terms of employment loss and loss of tourist dollars would be enormous.

"The human cost of such developments was brought home to the committee by the Unemployed workers' Council of the Sault. The council operates a help centre, through which it provides services to the unemployed. Among these are a clothing bank, counselling sessions, a food bank, furniture referrals, a soup kitchen, etc."

Mr. Wildman: I do not want to be sticky, but the help council does not operate the soup kitchen. That is a church operation.

Mr. Chairman: Just leave it off then.

Mr. Pierce: No soup?

Mr. Chairman: No soup, because there is no kitchen ~~to operate it out~~

make


Mr. Pierce: "The centre's statistics indicate that during the course of a year over 13,000 people ~~made~~ use of the clothing bank and over 500 received free food baskets. Again, these statistics can be expected to accelerate sharply when the expected layoffs take place."

Mr. Chairman: Thank you. May I make a couple of points? Was everybody consulted that we are not going to go to Terrace Bay?

Mr. Wildman: It was discussed in committee.


5:10 p.m.

~~Mr. Wildman: It was discussed in committee.~~
R-1710 follows



~~Mr. Chairman: Thank you. May I make a couple of points. I have
everybody consulted that we are not going to go to Terrace Bay?~~

~~Mr. Wildman: It was decided to go to Terrace Bay.~~

Mr. Chairman: All right, we are not going to Terrace Bay. 

Mr. Wildman: Wait a minute.

Mr. Chairman: In the foreseeable future.


Mr. Morin-Stron: I thought it was decided we were going to go last week.

Mr. Wildman: It was at the last committee meeting, but I was told between meetings that we were going to ask the company management to come to the committee here in Toronto instead.

Mr. Chairman: There was so much resistance among the House leaders of the three parties--all three, I might add--that the committee decided not to go.

Second, the title of the report is Report on the Announced Layoffs by the Algoma Steel Corp. in Wawa and Sault Ste. Marie.

Mr. Wildman: The Impact of the Announced Layoffs?

Mr. Pierce: Are we changing the title on the cover? The cover states, "Draft of Parts I and II of Committee's Report on Algoma Steel Layoffs." 

Mr. Chairman: Maybe just "Algoma Steel Layoffs in Wawa and the Sault" is all right.

Mr. Wildman: I would prefer if we were to say "The Impact of Algoma Steel Layoffs."

Mr. Chairman: It should be "announced."

Mr. Wildman: "Announced Algoma Steel Layoffs."

Mr. Chairman: "Impact"? How about recommendations?

Mr. Morin-Stron: How about "Impact on Sault Ste. Marie and Wawa"?

Mr. Chairman: Let us not dwell on that.

Mr. McGuigan: It goes beyond that. It is the impact on northern Ontario.

Mr. Chairman: On our party? Let us not dwell on that now. We have to go.

The final point is, I wonder whether we have referred enough to the groups that made presentations to us in the Sault, both in thanking them and in referring to them.

Mr. Wildman: We could put in a list ~~about~~^{of} the various groups that appeared in Wawa and the Sault.

Ms. Madisso: We would have such a list in the report anyway. Do you want it mentioned in the body?

Mr. Chairman: In other words, it would probably be gesture to the people.

Mr. Morin-Strom: We could tell them we ~~do~~ appreciate it.

Mr. Pierce: These people took their own time to make their presentations.

Ms. Madisso: In the introduction, I should elaborate on who appeared, just after the name?

Mr. Chairman: We will append a list of witnesses as well.

Mr. Wildman: What Merike is wondering, ~~do~~ do you want it in the body or do you want it just appended?

Mr. Chairman: How about both.

Ms. Madisso: Where ~~is~~ in the body? In the introduction, by way of thanks? Is that what you are thinking?

Mr. Chairman: That is what I was thinking.

Mr. Wildman: I think we should add particular thanks to the mayor of Sault Ste. Marie.

The committee adjourned at 5:12 p.m.





STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

MONDAY, JUNE 9, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT
CHAIRMAN: Laughren, F. (Nickel belt NDP)
VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)
Bernier, L. (Kenora PC)
Hayes, P. (Essex North NDP)
Knight, D. S. (Halton-Burlington L)
McGuigan, J. F. (Kent-Elgin L)
Pierce, F. J. (Rainy River PC)
Smith, D. W. (Lambton L)
South, L. (Frontenac-Addington L)
Stevenson, K. R. (Durham-York PC)
Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Morin-Strom, K. (Sault Ste. Marie NDP) for Mr. Ramsay
Wildman, B. (Algoma NDP) for Mr. Hayes

Clerk: Decker, T.

Staff:

Madisso, M., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, June 9, 1986

The committee met at 3:49 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

Mr. Chairman: The standing committee on resources development will come to order.

We have before us, put together in one report, the draft of our presentation on Algoma. What is different about this are the underlined parts as you go through it. Unless you want to, I do not think think we need to reread the whole report because we did that this past Thursday. Is there any problem with looking at the underlined parts and seeing whether they are okay?

Page 2 was yours, Karl, I think, your "Causes."

R-1550 follows



~~Page 3 of 3, Mr. Chairman, I think your "question"~~ Are there any problems?

At the top of page 3 it reads "(the number of employees dropped from a yearly average of 12.554 in 1981 to 8.236 in 1983)."

Mr. Morin-Stron: That will do it.

Mr. Chairman: All right. Further down, the contentious part was the bottom third: "Because of new construction techniques, less steel is needed in the construction of high-rise buildings, for example....And finally, as far as iron ore is concerned, Algoma's mines must compete with cheaper open pit operations, transportation by water....and price discounting from offshore."

Mr. McGuigan: I have a small point on that. Is the word "cars" generally accepted in place of "automobiles"? Some people think of cars as railroad cars. It is a small point; I thought I would bring it up.

Mr. Pierce: Make the reference ^{to} "plastic in cars", "plastic in automobiles."

Mr. Chairman: Do you want that changed to "automobiles"? It is not a difficult change?

Mr. Pierce: Actually, it is something a little beyond just the normal automobile because in the heavy truck industry as well as the fronts of the trucks are now made out of fibreglass and plastics. There is no more metal. It goes beyond automobiles.

Mr. McGuigan: Say "automotive industry" then.

Mr. Pierce: "Mobile equipment" or something.

Mr. Chairman: "In the automobile industry."

Mr. Soutn: "Motor vehicles."

Mr. Pierce: "Motor vehicles"?

Mr. Chairman: That is the one.

Mr. McGuigan: They are plastic fenders and fronts?

Mr. Pierce: On, sure they are.

Mr. Morin-Stron: They use plastic. What about fibreglass?

Mr. D. w. Smitn: Especially Ford.

Mr. Pierce: Even heavy equipment now is. Some of the heavier loaders are ~~are~~ made out of fibreglass. The cabs are made out of fibreglass and plastics.

Mr. Chairman: Do you want to say, "Steel is also being replaced by, or with synthetic materials in motor vehicles"?

Mr. Pierce: Yes.

Mr. Chairman: Page 4. Last paragraph. "The decreased demand for structural steel reflects the fact that there is little construction taking place." Is that statement too bald or is that all right?

Mr. McGuigan: Actually, housing construction is very brisk. It is the high-rise construction. Also, that is where the steel is used.

Mr. Morin-Stron: What is relevant here is that it is heavy capital construction. The housing market does not matter for the steel industry. It is heavy capital construction.

Mr. Stevenson: There is another point too. They have made some adjustments in the heavy construction industry. They are not using as much steel, even when they are building the big buildings.

Mr. McGuigan: They are getting away with about half, 17 pounds per square foot.

Mr. Pierce: I wonder how important that sentence is.

Mr. Stevenson: It certainly oversimplifies the issue.

Mr. Chairman: Would it be appropriate to say "The decreased demand for structural steel reflects the fact that there is less being used in"--

Mr. Pierce: "Major construction."

Mr. Chairman: --"major construction projects"?

Mr. Pierce: "Now being used."

Mr. Morin-Stron: "And its demand for plate and structural steel."

Mr. D. W. Smith: "In high-rise construction" or something along that line.

Mr. Chairman: Is that all right, Merike?

Ms. Madisson: Is it "high-rise" or ^{is it} ~~is it~~ "major"? What is the preference?

Mr. Morin-Stron: It should not be "in high-rise." We are talking about "major" things such as tar sands plants, big GM automotive plants, major expansions of other industries, which normally require heavy steel in their facilities. They may not be high-rise buildings at all.

Mr. D. W. Smith: You are talking about industrial capital.

Mr. Morin-Stron: Industrial capital is a big part of the heavy construction industry.

~~Mr. Chairman: Merike, it would be something like "the decreased demand for structural steel reflects the fact that there is less of it being used in major industrial projects."~~

Mr. Chairman: Merike, ^(it would) read something like, "the decreased demand for structures to you reflects the fact that there is less of it being used in major industrial projects."?

structural
steel

Ms. Madisso: Yes.

Mr. Morin-Strom: Industrial and commercial.*

Mr. Stevenson: Could we go back to page 3? There is one sentence ^{near the top} that is probably pretty fine stuff, but we are talking about the layoffs. ~~It is near the top of page 3.~~ It gives the numbers in brackets there: "Algoma's labour force has not recovered."

^{We are not only}

~~not only are we~~ talking about the number of jobs that have not been recovered there is certainly, also, a major economic and social impact there. Should we not be slightly more specific than just saying, "Algoma's labour force has not recovered?" Do you just want it that way so it implies all the other associated problems? You could get a little more specific and say, "The number of jobs ^{has} not returned to the 1982 levels and, as well, the economic impact ~~on~~ the community has been very significant."

Mr. Chairman: That is a good point.

Ms. Madisso: Although we go into economic impact in the next section if you still want it.

Mr. Stevenson: Oh, I see. So this phrase was meant largely to mean the jobs had not returned to the 1982 level.

Ms. Madisso: Yes.

Mr. Chairman: Maybe "employment levels" ^{is a} ~~would be the~~ ^{expression.} better wording.

Mr. Stevenson: I would think we take "Algoma's labour force." In a sense, we are talking about people there rather than positions.

Mr. McGuigan: It is the numbers that have not been covered.

Mr. Chairman: How about "employment levels in the Algoma district?"

Mr. Morin-Strom: ^{says} It ^{thing} ~~is~~ the same way about Algoma Steel here.

Mr. wildman: ^{It} Algoma Steel is a spinoff affecting all kinds of people.

Mr. Morin-Strom: That is not what this sentence is about. ^{It is about} Algoma Steel ~~is the point of level.~~ ^{employment}

Mr. Chairman: Right.

Mr. McGuigan: That is pretty well what we are talking about. ^{It is} it is simply the numbers ~~and~~ ^{and} the social impact comes later.

Mr. Chairman: Maybe we could say, "Employment levels at Algoma have not recovered." we are specifically talking about the company here.

Ms. Madisso: Is that it? Is it "employment levels at Algoma?"

Mr. Chairman: So we are now back on page 6.

Mr. Morin-Strom: Will we get back to ~~that~~ ^{the} sentence we revised? The way you read it last was on page 4. How did we get to page 6? It was at the bottom of page 4.

On "the decreased demand for structural steel", I would prefer ^{it to read} you add again "plate structural steel." We made references in your brackets to the product line; "structural steel, plates, and seamless tubes." Then you are developing a logic as to what the problem is. Is it in structural and plate? ^{you do} ~~it does that;~~ ~~then~~ after that, you talk about what the problem has been ~~on~~ ^{with} seamless tubes.

Ms. Madisso: Is it plate ^{and} structural, then, or plate and structural steel?

Mr. Morin-Strom: Plate and structural ^{Steel.}

Mr. Wildman: Structural is just a short form for structural steel.

Mr. Chairman: Can you read what you have down, Merike?

Ms. Madisso: ^{The} ~~To~~ decreased ^{demand for} ~~the natural~~ plate and structural steel reflects the fact that there is less of it being used in major industrial and commercial projects."

Mr. Morin-Strom: Plate, we take it, will be shipped ^{??} only, which, again, can be viewed as a major project. That applies ^{with that context} with that context.

Mr. Chairman: On page 6: We are doing ^{only} the underlined parts, Mr. Wildman, because those are the only parts that have been changed. ^(to it in)

"The railway itself does not believe that the layoffs would be that extensive but."


Mr. Wildman: Why do we not say "the company ^(P)"

Mr. Chairman: Because there is reference to Algoma ^{the} ^{division} ~~pre~~ right before that.

4 p.m.

Mr. Wildman: Oh, I see. ^{All right.}

(Tape R-1600 follows)



~~Mr. Chairman: Because there is a reference to Algoma in the first paragraph.~~
~~Mr. Wildman: Oh, I see.~~
Mr. Chairman: Is that clear? You are smiling, Mr. Morin-Strom.

Mr. Morin-Strom: I do not think we need the accuracy of the 45.6 per cent ~~of~~ its revenue after we have obviously got a rounded number in terms of the 60 per cent of freight tonnage.

Mr. Wildman: What is this point you are raising?

Mr. Morin-Strom: Why do we not put 45 or 46?

Mr. Chairman: Okay, let us put it at 45.

Mr. McGuigan: To be specifically correct it should then be 46.

Mr. Wildman: Why worry about it?

Mr. McGuigan: ~~I cannot wait for it. It is past the halfway point.~~

Mr. Pierce: It depends on ^{how} you are counting. ~~the count sure~~ You could count short rate than 12
would have been lost.

Mr. Chairman: That is a conservative viewpoint; small "c" on that.

Mr. McGuigan: I am sure you ??--(inaudible) since it is over half.

Mr. Chairman: You do understand the decimal system do you not, Mr. Pierce?

Mr. Pierce: It is interesting that the smaller usually pays the larger portion.

Ms. Madisso: Do we want 45?

Mr. McGuigan: Why do we not leave it the way it is?

Mr. Pierce: Why do we not call it 45.5?

Mr. Chairman: Let us move down. "The railway's ultimate fear is, of course, that Algoma Ore division in Wawa may shut down all operations, an action that would probably force the railway out of business."

I think that is what ^{we were} ~~it is~~ attempting to say. The sentence, "These statistics can be expected to accelerate sharply when the proposed layoffs take place."

On page 7:

Mr. Chairman: Are there any problems with the first paragraph? Are there any problems with the second paragraph? There is one minor thing in the second sentence. "In particular, more could be done to make use of the two important natural resources in the area by encouraging," I think he means,

(Mr. Chairman)

Have we avoided

"further utilization of forest resources." Is that regarded as a fight between the Sault and Wawa ~~as~~ it is worded now?

with me way

Mr. Wildman: I agree with your comment about "further utilization." I think that is fine.

Mr. Chairman: Is that all right with you, Mr. Morin-Strom?

Mr. Morin-Strom: That paragraph is fine.

Mr. Chairman: I am not sure why the word "secondly" is on page 8.

Mr. Morin-Strom: Can I add a word on that paragraph? ~~it is on~~ ^{where we have} "steel-intensive industry," perhaps we could add "secondary" there.

Mr. Chairman: "Steel-intensive secondary industry." It should be plural, too, should it not?

Ms. Madisso: It should be what?

Mr. Wildman: Plural.

Mr. Chairman: "Steel-intensive secondary industries."

Mr. Pierce: Do we have any examples of what we were referring to?

Mr. Wildman: In Hamilton, for instance—we did not have any proposed to us—there are significant small, steel fabrication plants that use steel produced by Dofasco and Stelco. There is very little of that in the Sault Ste. Marie area.

Mr. Chairman: Our ~~as~~ did a--

(Tape R-1605 follows)

~~(b) (7) - (D)~~
~~CONFIDENTIAL~~
~~CONFIDENTIAL~~
Mr. Chairman: Our caucus did a little study one time about five years ago on the number of manufacturing jobs in Hamilton related to the steel industry compared to Sault Ste. Marie and it came out something like five to one. I cannot remember the numbers.

Mr. Wildman: We worked out that there ^{were} ~~are~~ about 350 to 500 jobs, at that time, in the Sault in steel fabrication. ~~Whereas~~, ^{relative to} ~~If there was a~~ proportional number in the Sault area ~~to~~ the size of population, ^{related to} Hamilton, there would have been something like 9,000.

Mr. Pierce: Were you able to go beyond putting the figures together to determine why there was not that kind of industry in the Sault as opposed to Hamilton?

Mr. Wildman: It appeared to relate mostly to transportation and closeness to the market.

^{Those are}
Mr. Chairman: Typical Golden Horseshoe arguments.

Mr. Morin-Strom: Auto parts is the biggest single area. There are all kinds of auto parts plants in southern Ontario.

Mr. Chairman: On page 8, I am not sure it makes sense to start out with ^{secondly} ~~when~~ ^{firstly} has not been ~~covered~~. It is a minor point.

Ms. Madisso: It is just that we are making those five points. Five key areas, in particular, ~~are~~ are looked at, ~~and~~ then there is a discussion of the issue.

Mr. Chairman: If we do that, I do not think ^{secondly} should be the only word. ^{we} want to use first, second, third, fourth, fifth, then fine. Perhaps, ~~that~~ is appropriate to do it that way.

^{it} Mr. Wildman: Why do we not just drop ^{secondly}, and say, "On the subject of decentralization..."

^{Is this on}
Mr. McGuigan: Page 7?

Mr. Chairman: Page 8; we are at the bottom now. "Sault Ste. Marie should be considered a regional medical centre by the provincial government." I hope I am not being parochial when I say this, but Sudbury has been declared and is recognized as the northeastern Ontario regional health centre.

Mr. Wildman: That is why we are saying "a" rather than ~~wasn't~~ "the."

Mr. Chairman: I am just worried about it looking as though we are trying to duplicate everything all over.

Mr. Wildman: We specifically said "neonatal" and "laser eye surgery" which you do not have in Sudbury.

Mr. Chairman: Yes, I have no objection to that.

9
Mr. Wildman: We could have said "cancer treatment."

Mr. Chairman: How about "a subregional medical centre?"

Mr. Morin-Strom: No thank you.

Mr. Chairman: We are now going to declare it a regional medical centre when Sudbury has already been declared one. Why put in something you know you are not going to get?

Mr. Morin-Strom: It is for certain specialties.

Mr. Chairman: Fine. If you want to say "for certain specialties."

Mr. Morin-Strom: ^{We could say,} "for selective specialties," if you want to put that in.

Mr. Wildman: By the way, this is no big deal here, but in the middle of that paragraph, "centres" is spelled wrong. There is a typo there.

Mr. Chairman: Where is that?

Mr. Wildman: In the middle of the paragraph; five lines down, there is a typo.

Mr. Chairman: You think it is just a typo?

Mr. McGuigan: The way it is presently put, it is really put forward as a fact; "should be considered a regional medical centre by the provincial government." We are not asking the government to —

Mr. Morin-Strom: It is right now. That is a fact of life in the district of Algoma. We look at ^(the centre) for health in Algoma.

Mr. Chairman: All right, then add the words "for Algoma" ~~in there~~. Is that what you are suggesting?

Mr. Wildman: No, I think the wording we had before was better, "for some specialties."

Mr. Morin-Strom: ^{It was,} "for selected specialties."

Mr. Knight: It would probably be worth while for your caucus to have your consensus before you come to the committee meeting.

Mr. Pierce: Why do we not let you three fight it out?

Mr. Chairman: Some days you cannot anticipate.

All right. Will we move on to page 9?

Mr. Pierce: Will there be a lot of people transferring from Sudbury to the Sault?

Mr. Chairman: It is hard to imagine that.

Mr. Wildman: There are actually more people transferring from the Sault ~~and travelling~~ to London and Toronto than there are to Sudbury.

Mr. Chairman: Can we move to page 9?

Mr. Wildman: ~~Are we sure that is~~ ^{Are we sure that is} should that not be northeastern Ontario?

Mr. Chairman: I am not sure.

Mr. D. W. Smith: Or north-central, if you want to say that, but ↗

Mr. Chairman: I like northwestern.

Mr. Wildman: Northwestern; I am talking about ^{the} Thunder Bay-Atikokan area. We can hardly serve Thunder Bay-Atikokan-Kenora.

4:10 p.m.

~~Mr. Pierce: Unfortunately, the people in Sault Ste. Marie do not recognize how many~~
R-1610-1 follows

~~Mr. Pierce: Unfortunately, the people in Sault Ste. Marie do not recognize how many students come out of northwestern Ontario to Sault College already, or a significant number, particularly among the native people.~~

Mr. Pierce: ~~By the same token, there are a large group of students who go from Sault Ste. Marie to Lakeland University, because they do not want to be close to home.~~

Mr. Chairman: May I make a suggestion to put in there--sorry.

Mr. Pierce: They cross over in the air going back and forth. The reference is to the communities of northern Ontario. I do not think we should try to break northern Ontario up into northeastern, northwestern, north-central, north-something else.

Mr. Chairman: Good idea.

Mr. Wildman: Just change it to "northern."

Mr. Chairman: "Northern Ontario."

Mr. Wildman: Is that agreeable to Merike?

Ms. Madisso: Fine. Love it.

Mr. Chairman: All right. We are okay for that paragraph then. You notice I am not objecting to the "high school of science and technology."

Mr. Wildman: You notice that we did not say specifically Sault Ste. Marie.

Mr. D. W. Smith: Do you have one in Sudbury now?

Mr. Chairman: No, there is a competition for it.

Mr. Wildman: It is in Toronto right now. Don Mills or wherever.

Mr. Chairman: We are at the bottom of that big paragraph. Do we want to be more specific than to say "The committee recognizes that the train"--referring to the tour train--"is essential to the area's tourism trade and therefore supports the upgrading of its aging rolling stock." Who should upgrade it?

Mr. Wildman: I purposely did not say the government should, to be frank. We would be prejudging the feasibility study which is being done now by the government. The government is doing a feasibility study on the marketing of the tour train and on various options for refurbishing the rolling stock. I do not think we, as a committee, should prejudice what that feasibility study may conclude.

Mr. Morin-Strom: I think we might anticipate there might be some kind of cost-sharing.

Mr. Chairman: You are prejudging it by suggesting it needs to be upgraded.

Mr. Wildman: There is no question about that. Everyone is agreeable that these cars were-- How old are they? They are 1930's vintage. They need refurbishing. The company initially said they needed new cars and they want the government to pay for them. We then found out a car would cost between \$1 million and \$1.5 million each. Finally, everyone concerned got the company to agree that it would perhaps make more sense to refurbish the current rolling stock than to buy new cars.

Mr. Chairman: Those numbers are annual numbers, are they not? A total of \$37.5 million annually? I think that should be in there. It also puts the \$1 million per car in a bit more perspective.

Mr. Morin-Strom: Why do we not put "the annual direct spending in the region."

Mr. Chairman: All right. You are satisfied--

Mr. Wildman: You are putting "annual" before "direct spending."

Mr. Morin-Strom: Yes. Then I do not think you have to repeat "annual" after the number.

Mr. Chairman: "Recommendations: (1) The provincial government should encourage new secondary manufacturing and the industrial diversification of the local economy by doing the following." These are things the government should do. The government members and supporters should follow this very closely.

Mr. Wildman: ~~There are no government members on the committee, Mr. Chairman. Just three members on the committee are supporters of the government.~~ *of the government* *Chairman* *There only*

Mr. Chairman: Right.

Mr. Wildman: Cabinet members are not allowed on committees in Ontario.

Mr. Chairman: Any problem with (a)?

Mr. Pierce: You are doing a report on Sault Ste. Marie. The only problem I have on it is that it should consider establishing it in the north. ~~There are members here who want to designate it for a northern community. There are people who would like it designated in the north.~~
R-1615-1 follows

(Mr. Pierce)

~~should consider establishing it in the north.~~ There are members here who want to designate it to Sault Ste. Marie, probably some who would like to designate it to Sudbury, and certainly some who would like to designate it to Thunder Bay. Every one of those communities is nurturing in one way or another.

Mr. Wildman: I think Jack has a good point.

Mr. Pierce: I realize we are writing a report based on Sault Ste. Marie. However, at the same time, those considerations should be left to the discretion of the government, then we can chastise them for not making the right decision.

Mr. D. W. Smith: We are sure you will do that, Jack.

Mr. Wildman: I agree. You have a point. This is why we said the government should consider establishing it in Sault Ste. Marie rather than trying to persuade the committee that we should say flat out they should establish it in Sault Ste. Marie. You are quite correct in saying that they should consider Thunder Bay as well. Okay with that?

Mr. Chairman: "(b) It should encourage steel-intensive or forest products-related secondary industry to locate in Sault Ste. Marie."

That is awkwardly worded.

Mr. Wildman: Would it help if you said "and/or"?

Mr. Chairman: You mean in "Sault Ste. Marie and/or Sudbury"?

Mr. Wildman: No. I meant "steel-intensive and/or forest products-related."

Mr. Chairman: Why not "and"?

Mr. Wildman: Yes, okay.

Mr. Chairman: It is not either-or.

Mr. Wildman: No.

Mr. Morin-Strom: "Industries", plural.

Mr. Chairman: Yes.

"(c) It should provide regional incentives to encourage new industrial ventures to locate in Northern Ontario."

It is a bit like (b) but ~~is is~~ not as specific.

Mr. Wildman: I am wondering if you changed the order and made (c) recommendation (b).

Mr. Chairman: Or combine the two into one?

Mr. Wildman: Yes, we could do that.

Mr. D. W. Smith: Maybe start out with--

Mr. Wildman: Make them both one.

Mr. D. W. Smith: Start out with (c) and then make the second sentence, "in particular," forest and steel-related.

Mr. Chairman: All right. Is there any problem with that?

Mr. Morin-Strom: You could put "In particular," in front of sentence (b) and put it after--

Mr. Chairman: Yes, or a colon:

"(d) "It should participate with the federal government in the Community Futures Program, which has designated Sault Ste. Marie a community eligible for assistance."

Are we talking only about the Sault here?

Mr. Wildman: Yes. The Sault has been designated by the federal government.

Mr. Chairman: Then all these are just the Sault and not Wawa?

Mr. Wildman: Yes. In that regard, as a matter of interest, ~~the~~ Chairman, we do not know ~~as~~ yet what the boundaries are of the area of designation for the Sault Ste. Marie Community Futures program. It might in fact involve some of the smaller areas around it.

Mr. Chairman: Does it include Wawa?

Mr. Wildman: No. It would not include Wawa.

Mr. Chairman: I see. Todd points out: "participate with the federal government in the Community Futures Program". The way it is worded now it reads as though the Futures program is designated to Sault Ste. Marie.

Mr. Wildman: Yes, that is right. The federal government has it designated to Sault Ste. Marie.

Mr. Chairman: What was your suggestion?

Clerk of the Committee: "....under which Sault Ste. Marie has been designated."

Mr. Chairman: All right. "...under which Sault Ste. Marie has been designated as a community eligible for assistance."

"2. The provincial government should participate in ongoing discussions regarding the need to upgrade harbour facilities at Sault Ste. Marie and to fund any improved facilities which are recommended."

Would you now want to include the federal government in that? Harbours are a federal responsibility.

4:20 p.m.

Mr. Knight: I recall bringing that up during the first draft, or a particular draft. Certainly, if you leave the first part of this recommendation as it is, indicating that the provincial government should participate, that indicates there are others. However, to carry on and suggest that the

~~provincial government should fund it unilaterally, and I do not think that is appropriate. I would even suggest that you end the recommendation.~~

1620 follows.



(Mr. Knight)

that the provincial government should fund. It makes it unilateral.

Mr. Wildman: I agree.

Mr. Knight: I do not think that is appropriate. I ^{would even} suggest you end the recommendation after the words "Sault Ste. Marie." ^{that}

Mr. Chairman: Either that or ^{add to} "and assist in funding any improved facilities."

Mr. Knight: We do not want it to sound as if we are saying the provincial government should pay for the harbour. That is not what is intended.

Mr. Chairman: Do you want to let it end with "Sault Ste. Marie" or do you want to ^{add} ^{that} "and assist in funding any improved facilities"?

Mr. Wildman: I recall ^{that} we had a discussion about this. That is what led to the addition of the paragraph on page 7. My understanding was that we would have one recommendation rather than two, as we have now. We have one on page 10, number 2, and we have one on page 15, number 3. We would prefer to have just one recommendation indicating that whatever the studies recommend with regard to harbour facilities in Algoma district, ~~that~~ the provincial government participate with the federal government in funding the facilities.

Mr. Chairman: Is there a study under way now on the Sault harbour?

Mr. Wildman: No. They are discussing one. There is one ongoing on Michipicoten.

Mr. Chairman: Pending the outcome of discussions on improvement of the harbour, you might want to suggest the provincial government participate in any improvements.

Mr. Knight: I suggest in both ^{that} ^{recommendation} ^{recommendation} number 2 on page 10 and number 3 on page 15 that we change the wording after "Sault Ste. Marie" in the second line to read, "to upgrade harbour facilities at Sault Ste. Marie" and ^{to fund} ^{the funding} ^{of} any improved facilities which are recommended." I am thinking of a participation clause.

Mr. Stevenson: ^{How about} "and be a participant in funding any improved facilities?" ^{to}

Not as spoken
but better
grammatical
cl.

Mr. Chairman: That is good.

Mr. Knight: Sure. The wording still indicates the same objective.

Mr. Chairman: Do you want to leave "Sault Ste. Marie" in this one and "Wawa" in the next one? You need it in a recommendation somewhere.

Mr. Wildman: The question really is, do we want two separate recommendations specific to each, or do we want one for the whole thing?

Mr. Chairman: Would it be practical to upgrade both harbour facilities?

Mr. Wildman: Personally, I do not think so.

Mr. Pierce: That is the question I would ask.

Mr. Morin-Strom: Personally, I think it is.

Mr. Wildman: If you look at the optimum, they ^{would} ~~would~~ serve different things. The one in Michipicoten would serve not only the mining industry but particularly the forest industry, not just in the immediate Wawa area, but also in Hearst, Chapleau and so on. The harbour in Sault Ste. Marie would be serving the steel mill, largely, and other industries in the city. They are to serve two different things.

If you were to look at the optimum, ~~it~~ it would be to have two harbours. As a member who has been around here for 11 years, I am looking at the likelihood of the government funding two harbours within 140 or 150 miles of each other. I do not think it is going to go.

Just Mr. Pierce: Is it very conceivable or practical to think ^{that} they would develop a harbour based on a mining industry that is walking on a sponge to begin with?

Mr. Wildman: No, the study is not looking at ^{the} Algoma ^{division} ~~ore~~. They are looking at gold and mostly the forestry industry. Hearst, Dubreuilville and Chapleau are the ones pushing for the forest products, ^{the} ~~companies~~.

Mr. Chairman: We are not going to decide ⁱⁿ ~~on~~ this committee which harbour is upgraded, if any. Can we word it in such a way that if the discussions being held lead to improved harbour facilities at the Sault, ~~then~~ the province will be a participant? You could say the same thing for Wawa.

Mr. Wildman: Okay, I am willing to do that.

Mr. Pierce: Could it all be in one recommendation--in the Sault or in the Michipicoten area?

Mr. Chairman: Except ^{that} we are talking specifically about ^{the} Sault ~~Ste Marie~~ and Wawa here.

Mr. Pierce: The provincial government would become a participant.

Mr. Chairman: If we had lumped them all together, you could have done that. We made a clear decision.

Mr. Wildman: The organization of the report is such that I think you are right, Floyd. The best thing to do is say, "The provincial government should participate in ongoing discussions regarding the need to upgrade harbour facilities at Sault Ste. Marie" —

Mr. Stevenson: ^{and} ~~be~~ be a participant in funding any improved facilities.

Mr. Wildman: ^{which} ~~are~~ are recommended." Yes, sure.

Mr. Knight: Obviously

~~need to have a participant in funding any improved harbour facilities~~

~~"...the provincial government should be a participant in funding any improved harbour facilities"~~

~~Mr. Wildman: "which are recommended"~~

Mr. Knight: ~~Obviously~~ there is going to be some dialogue between the two studies. ^(groups) If one is recommended, then the other probably will not be.

Mr. Chairman: All right. If the word is go on the Sault harbour, then the province is a participant and the same ^{goes} for Wawa.

Ms. Madisso: Do you want the identical recommendation for Wawa then?

Mr. Chairman: Basically yes.

Ms. Madisso: Even though ~~what~~ we are discussing ~~here is~~ a feasibility study?

Mr. Wildman: Wait a minute. Let us ~~just~~ for the moment go to page 15, number 3. It will say: "In order to encourage new secondary manufacturing and the industrial diversification of the local economy, the provincial government should be a participant in funding any improved harbour facilities recommended by the Michipicoten harbour development plan study."

Mr. Chairman: You may even want to leave out the words "recommended by" and just say "if there are any improvements to be made." In other words, the province will be a participant. You do not link it to Michipicoten because that study might recommend improvements and the Sault study discussions might recommend improvements.

Mr. Wildman: That is true.

Mr. Chairman: Why not end it at "facilities."

Mr. Wildman: Okay. So it will read, "...the provincial government should be a participant in funding any improved harbour facilities--"

Mr. Morin-Strom: "--which are recommended."

Mr. Chairman: No, that is where I would stop.

Mr. Morin-Strom: No, I would just put in there "recommended."

Mr. Wildman: "At Michipicoten."

Mr. Chairman: Yes. ~~We~~ ^{we} wrote the recommendations. In other words, ~~you~~ ^{we} are not tying it to the study.

Mr. McGuigan: Obviously they are not going to do it unless it is recommended.

Mr. Chairman: I am worried that both discussions will make recommendations on it. Is that clear, Merike?

This

Mr. McGuigan: ~~It~~ is off the topic a bit, but one of the things I see in the future in tourism, because of terrorism and that sort of thing, is a Love Boat on the Great Lakes. We need proper harbours for cruise ships.

Mr. Wildman: Back in the 1920s and 1930s they did have them.

Mr. Chairman: I do not know of anyone who is better qualified to run a Love Boat than Mac Makarchuk.

Mr. Morin-Strom: Right now, Sault Ste. Marie has two proposals ~~in~~ *before* ~~front of the~~ city council to use docking ~~down~~ on the city's waterfront for major restaurant boats that would take tours out into the lake.

There was

Mr. Wildman: ~~Also~~ *There was* also a test run ~~was done~~ last year by a Detroit company that owns a cruise ship. It went through the locks at Sault Ste. Marie, up to Wawa and then to Thunder Bay. However, they concluded it was not feasible and was not a profit-making proposition at this point.

Mr. McGuigan: It is something for the future. Eventually you will see it. Every year it becomes more crowded and ~~there is~~ terrorism, ~~and so forth~~ *and so forth*

recommendation

Mr. Chairman: On ~~number~~ 3, all we changed ~~there~~ was the reference to a regional office. There is no problem there.

Recommendation

~~Number~~ 4 reads, "The provincial government should endeavour to provide financial assistance to the health care field in the following ways." It mentions the Plummer Memorial Hospital, etc.

In part (c), it reads, "Sault Ste. Marie should be made ~~a~~ *the* northern Ontario base for Tel-Med which is already being developed by the Group Health Centre." There is no problem there.

Part (d) reads, "Companies producing the pharmaceuticals and high-tech medical equipment should be assisted through existing provincial government regional development programs to locate in areas of high unemployment." Is that worded correctly? There is something wrong with it. Would it not be better to read "...through existing provincial government programs which--"

Mr. Wildman: Why not put "...should be assisted to locate in areas of high unemployment through existing provincial government regional development programs." Change it around.

Mr. Chairman: That is better. Read it that way, Bud. We are having some problems.

4:30 p.m.

Mr. Wildman: "Companies producing pharmaceuticals and high-tech medical equipment should be assisted to locate in areas of high unemployment through existing provincial government regional development programs."

~~Mr. McGuigan: Okay, that's fine?~~
R-1630 follows

~~Mr. Morin-Strom: The provincial government should complete cost-benefit analyses for the following:~~

Mr. Chairman: "(5) The provincial government should complete cost-benefit analyses for the following:

"The locating of ^{more} post-secondary educational facilities, in northern Ontario, ^(b) the expansion of Algoma University College... ^(c) the development of health care education in northern Ontario..."

Mr. Morin-Strom: In (b) it should be "health sciences."

Mr. Wildman: I would switch those around: "...pure sciences, social sciences, ~~and~~ health sciences and commerce."

Mr. Chairman: You would not want to imply that there is anything scientific about commerce.

Mr. Wildman: Marx thought there was.

Mr. Chairman: "(d) ~~the~~ implementation of the promise made in the throne speech of April 22, 1986, to establish a northern Ontario high school of science and technology as soon as possible." Does that tie in with the "cost-benefit analyses" in the introductory sentence?

Mr. Wildman: That is a good point. They have already made a commitment to it, and we are now suggesting that they make a cost-benefit analysis out of it. I do not think we should be.

Mr. Chairman: Why are the words "cost-benefit analyses" in there? Why should we not put: "The provincial government should consider the following:"? Is there a problem with that?

Mr. McGuigan: You are saying the same thing.

Mr. Wildman: Except that we are not necessarily telling them that they had better do a cost-benefit analysis of the northern Ontario science and technology high school.

Mr. Morin-Strom: "Consider the following recommendations"?

Mr. Chairman: You could say, "should do the following."

Mr. Morin-Strom: ~~Not if~~ They can say that they consider ^{ed them, but} ~~they have~~ ~~even going it~~ ~~it~~ ~~did not do anything.~~

Mr. Chairman: That is probably the government.

Mr. Morin-Strom: If they are meeting the mandate of our recommendation, we cannot say anything about it.

"The provincial government should consider doing the following"? Or "sh

Mr. Chairman: ~~What if you consider~~ ~~do the following?~~ Or just "should"? No, we cannot say "should."

Mr. Morin-Strom: "Should pursue the following."

Mr. Chairman: "Should pursue the following" is a good compromise.
word, Page 12:

"The province's current feasibility study on the refurbishing and promotion of the Algoma Central Railway tour train should include labour representatives." In (b) we ^{said} would add the words "ski resorts" rather than naming a particular one.

Mr. Wildman: (b) should read "feasibility studies," plural.

Mr. Morin-Strom: It should be on the "existing and proposed."

Mr. Wildman: We have covered that when we say "ski resorts."

Mr. Morin-Strom: The way it says here, it sounds like you are talking about the ski resorts that are there now.

Mr. Chairman: Yes, it definitely does. "Existing and proposed ski resorts." Shall we move to (7)?

Mr. Taylor: How does the province facilitate the studies? Has the province ~~problem contracted~~ them out?

Mr. Chairman: The province is doing the studies.

Mr. Wildman: They have hired consultants.

Mr. Morin-Strom: The one that is going on on ~~Searchmont~~ ^{which is an} existing facility, being funded 75 per cent by the government, 25 per cent by a local investor group.

Mr. Chairman: What Mr. Taylor was asking is, if it is already in somebody's hands and being done, how can the government facilitate?

Mr. Taylor: That is my problem, yes.

Mr. Morin-Strom: ~~That is one study that is going on. There are not government studies on the other two; however, one~~

R-1635 follows.

~~Taylor was asking if it is already in a study~~
~~Handwritten note: "OSB" means "oriented strand board."~~

Mr. Morin-Strom: That is one study that is going on. There are no government studies on the other two proposed ones; however, one of them already has a commitment of over \$20 million from the Board of Industrial Leadership and Development program. ?? it is on paper.

Mr. Chairman: Mr. Taylor's point is well taken for two reasons: One, the government itself is not doing it in-house, and second, we are saying, "facilitate the conclusion."

Mr. Wildman: Would you rather say "completion" than "conclusion?"

Mr. Taylor: If it is "conclusion," ^{surely} you do not want to terminate them prematurely.

Mr. Chairman: "Encourage the completion of the study?"

Mr. Taylor: The word "expedite" is what we are looking for.

Mr. Wildman: "Expedite the completion of the feasibility studies on the existing and proposed ski resorts north of Sault Ste. Marie."

Mr. Morin-Strom: "The completion." Maybe it should be "expedite the feasibility studies."

Mr. Taylor: ^(It should) do what it can to expedite. I do not know whether it can control it or not.

Mr. Chairman: ^{Do} You want to expedite the completion of the studies? ^{Let us leave it in. They have already expedited the contracting of them, and now you want to expedite the conclusion of them. All right. Let us leave it}

^{The Committee endorses the} 7. (7) "recommendation of the Advisory Committee on Resource Dependent Communities that the provincial government establish a northern Ontario fund upon which a community in crisis could draw when seeking to diversify its economy." That does flow directly from the--

Page 13: "It is not at all clear that the threatened loss of 175 permanent Algoma ~~ore~~ Division jobs would constitute the final such cutback."

Mr. Wildman: There is one other one, just a small one, in the bottom paragraph.

Mr. Chairman: Yes: "The committee believes that the provincial government, in concert with the federal, should provide this assistance." That is the assistance for Wawa.

Page 14: "Other prospects for development suggested by the Township are a waterboard/OSB plant." Have we explained OSB earlier? I do not think that people know what it means.

Mr. Pierce: I do not know what it means, unless they are referring to a softwood plant.

Ms. Hadiss: No more do I.

Mr. Chairman: Who knows?

Mr. Wildman: "B" stands for "B" I would suspect.

Mr. Taylor: "Osmosis" probably comes in there somewhere.

* OSB means "oriented strand board." - eds.

Osmotic surface board.

Mr. Wildman: Why do we not phone the Ministry of Natural Resources or the Ministry of Industry and Trade and find out what it stands for?

Mr. Chairman: What those initials stand for? MNR?

Mr. Taylor: We certainly would not have used it if we did not know what it meant.

Mr. Chairman: No, we know what every other word in this report means, right?

4:40 p.m.

Mr. Taylor: As a matter of fact, we have attributed several meanings to the same word.

Mr. Knight: It sounds as if it is a high-density operation inasmuch as we cannot determine what it means. We have a medium-density, ~~except~~ this may be the high-density. have (So)

Mr. Chairman: The next paragraph; "As stated above, Does that mean earlier in the report? we had better just say that "the committee strongly believes that the province should undertake a major decentralization of its operations so that government offices are located in northern Ontario centres." "As stated above, government offices are located in northern Ontario centres."

R-1640 follows.

~~being that means earlier in the report, does it not?~~

Mr. Chairman: I think it would be better to say, "I do not understand this--" should it be "so that more government offices?" I do not understand this--"Wawa among them. The municipality should be recognized as a subregional centre and should be accorded the level of government presence that is appropriate to such a centre. The commitment by the Minister of Northern Development and Mines ~~to decentralize~~ to decentralize operations is as vitally important to Wawa as to any other community."

Mr. Taylor: How do you justify that? We had Sault Ste. Marie advancing that proposition and competitors, such as Sudbury, were announced. There are other communities, of course, where the decentralization process has been going on. What facts does the committee have at its hand to substantiate that conclusion? Why Wawa instead of Sault Ste. Marie, for instance?

Mr. Wildman: That is not what we are suggesting, Mr. Chairman. We specifically say "subregional centre" here in referring to Wawa, whereas we refer to Sault Ste. Marie as a regional centre and we also say "government presence that is appropriate to such a ~~subregional~~ centre." In fact we are not suggesting that Wawa could or should compete with Sault Ste. Marie at all.

Mr. Chairman: Except we do say that ~~the~~ the commitment by the minister "to decentralize operations is as vitally important to Wawa as to any other community," which implies more than perhaps is reasonable to expect.

Mr. Wildman: That is right after saying we believe it should be "appropriate to such a centre." Are you suggesting that those two sentences are contradictory?

Mr. Chairman: No.

Mr. Taylor: My response is simply that there is a lot of competition amongst a lot of municipalities, both in northern Ontario and in southern Ontario, for this type of thing. Today, during question period we heard the Liberal government's announced policy of continuing with the decentralization process. As a matter of fact the spirit was that it would even go more rapidly than the previous government in decentralization.

Mr. Chairman: It is hard to believe.

Mr. Taylor: That is the gist I got. Now ^{how} ~~what~~ the hell that translates, ~~as~~ I do not know. That being so--

Mr. Knight: And further.

Mr. Taylor: --I would think there is going to have to be some criteria. If you are a government doing this, there is going to have to be some criteria for establishing these centres, subcentres or whatever. Maybe that is not important, but what this report is doing is getting a cheering section behind Wawa.

Mr. Chairman: Or putting the heat on too though.

Mr. Taylor: Yes.

Mr. Morin-Strom: I think every community is looking from its own base in terms of its size. What a decentralization going to Sudbury means ~~is~~ is quite different in scale as compared to decentralization going to the Sault just because of the size of the community, but still, in terms of impact on that community, share of government jobs located in that community ~~are~~ ^{is} as important to Wawa as ~~they~~ ^{those of} would be to Sault Ste. Marie. That does not mean that Wawa is going to have ~~??~~ ^{as big as} Sault Ste. Marie.

Mr. Chairman: To me, this section reads better without that underlined sentence. If it could stop at the previous one, "The municipality ~~be~~ ^{should be} recognized as a subregional centre and should be accorded the level of government presence that is appropriate to such a centre."

Mr. Wildman: I think you are right. We do not really need that next sentence.

Mr. Taylor: What you are doing is soliciting unnecessary competition. Now we are going to get a ~~fight~~ ^{off}. Why do you not do that?

Mr. Wildman: Okay. Why do we not drop the underlined sentence?

Mr. Chairman: All right. Let us drop that underlined section.

Recommendations: This ~~is~~ ^{are} the recommendations now for Wawa. "Finally, the committee endorses the government's plan to locate an economist in Wawa to assist with economic diversification." I am not sure why the community wants an economist, but it is not for me to say.

Mr. Taylor: It is just one more mouth to feed.

Mr. Chairman: They did want one.

Interjection.

Mr. Chairman: It is hard to get any economist to go to northern Ontario.

Mr. Wildman: Should we put in ^{a Keynesian} ?? economist?

~~For Mr. Taylor: If you put all the economists and committees would have something to say.~~

R-1645 follows

~~_____~~
~~_____~~
~~_____~~
Mr. Taylor: What was it that you were saying, Jim? If you put all the economists end to end, you would have something.

Mr. McGuigan: Then it would be a good thing.

~~_____~~

Let us deal with
Mr. Chairman: Page 15, recommendation 2,

"The Ministry of Northern Development and Mines should conduct a feasibility study of the market potential for products of one or more of a thermomechanical, or chemical-thermomechanical, pulp mill, a waferboard plant, a medium density fibreboard plant or a construction plywood plant established in the Wawa area."

We did not want to restrict it to one of the plants there. That is why we changed it.

Mr. Knight: I believe that word "or" ^{to be} grammatically ⁱⁿ correct. I could be wrong, but because of the sequence you have after the words "one or more of," that word "or" should be "and."

Mr. Chairman: I am sorry. I do not know which "or" you are talking about.

Mr. Knight: The one in the second last line of recommendation 2.

Mr. Taylor: The one without the "e."

Interjection.

Mr. Wildman: We have too many "ors" in here that is ~~the~~ problem.

Interjection.

Mr. Chairman: I understand. ~~Some future business transactions~~

Mr. Wildman: We have already dealt with recommendation 3.

Mr. Chairman: Yes, we have dealt with recommendation 3.
Recommendation 4 ~~says~~,

"The province's ~~gold~~ custom mill grant program should be reactivated and the provincial government should complete a feasibility study for a gold-processing mill in the Wawa area."

Consultants will like our report.

Mr. Pierce: Oh, yes. It is a make-work program for consultants.

Mr. Taylor: We are anticipating
~~some~~ of the recommendations.

Interjection: Nobody else can get a job as a consultant ~~12~~

Mr. Chairman: All right, that is recommendation 4. Page 16, ~~we~~ are on recommendation 5(b). By "it," we mean the provincial government, of course.

"It should fund the township's tourism development strategy study, which is currently in its draft stage. When the study is completed, the province should provide funds for its implementation."

Is it not already ~~any~~ funding that?

Mr. Wildman: Yes, it is funding that. *as to what*

Mr. Knight: Mr. Chairman, I have a question ~~on~~ that last sentence ~~it~~ means. ~~was ever addressed it as to what that means.~~ Who knows what the strategy report's findings might be as to the implementation of it. They may even suggest-- *may*

Mr. Chairman: ~~Shutting down the town.~~

Mr. Knight: --some hotel, much like the one further west, ~~and~~ I would not want to ~~suggest~~ that the government provide funds for that.

Mr. Pierce: Mimaki two. *we should say*

Mr. Morin-Strom: I think ~~the~~ the province should assist in the implementation of the study's recommendations.

Mr. Taylor: No, that is the ~~issue~~ Same thing.

Mr. Morin-Strom: This is vague as to how much.

Mr. Wildman: Before we get to this, why do we not deal with the first matter that was raised? It is, in fact, being processed. Why do we not just take out "it should fund" and have the sentence start, "The township's tourism development strategy study is currently in its draft stage."

Mr. Chairman: "When completed..."

Mr. Wildman: Right.

Mr. Chairman: It is a little bit sweeping. *to when* We do not know what it is going to say, ~~it could say~~ that the province should fund what it says. How can you ~~make it this big then?~~ *anticipate that?*

Mr. Knight: Since we are already funding it and since we do not know what the breadth of it is going to be, perhaps (b) should not even be there.


Mr. Chairman: That is what I am wondering. The province is funding it now.

Mr. Taylor: The study?

Mr. Chairman: The study, yes.

Mr. Taylor: ~~That~~ That is talking about funding the project.

Mr. Chairman: Exactly.


Mr. Wildman: I understand your concerns and I do not think that ~~we~~ we should be making a blanket statement, that whatever this feasibility study suggests should in fact be 

Mr. Chairman: We might reword it.

Mr. Wildman: On the other hand, I think we should go further considering your earlier comment that consultants would be happy with this report. We should go further than just saying, "We got a study. Thanks very much." We are suggesting that if we are serious about diversification in the economy of the Wawa area, there should be some sort of commitment from the provincial government to assist in the diversification of the tourism industry in the area.

Mr. Chairman: Is there a way of combining (b) and (c)?

Mr. McGuigan: We could say something like "if potentially viable enterprises are identified ~~by the province~~ should consider participating.

If we look at
Mr. Chairman: Are we going to live with (c) right underneath that *the province* 
is there another way of combining those two.

R-1650 follows

Mr. Wildman: Why do we not make (c) the first sentence to include the township of Michipicoten and the northern Ontario tourism development program? Did we not suggest when we were talking about that, by the way, that we were going to refer to where that northern Ontario tourism development program came from. I understand ~~that~~ it came out of the speech from the throne. Did it not?

Mr. Chairman: Yes, I believe ^{so} ~~that is a fact~~.

Ms. Madisso: It is mentioned in the speech from the throne, but as I understand the speech from the throne, it was in existence before.

Mr. Wildman: They said it was going to ^{be} ~~the~~ strengthened.

Ms. Madisso: Strengthened and expanded.

Mr. Chairman: I am not convinced in my mind that if it recommends ^{could be} that there ~~is~~ an opportunity for a large motel, as somebody mentioned in that one, that the province should fund something like that. I see the problem is ^{Why} ~~the~~ ^{the pr} funding a private motel or any other place.

Mr. Wildman: Exactly. I think that is where Jim's proposal deals with that. If we make ~~this the first sentence, that is~~ (c) ~~becomes~~ the first sentence, and then we say, "The township's tourism development strategy study is currently in its draft stage. If this study identifies potentially viable tourist development that the provincial government should consider assisting financially in its implementation."

Mr. Chairman: ~~If it were me~~, I would cancel (b) and go with (c) because you are still anticipating what it is going to say.

Mr. Wildman: If we put in a caveat that if something is identified as viable; If the study shows that there is nothing ~~that is~~ viable, we are not suggesting it should be funded.

Mr. Chairman: No. If it says that what is viable is what belongs in the private sector, why should the province fund it? If it says that a viable tourism development would be a ski resort or--

Mr. Taylor: A string of mini-Minakis disaster^s.

Mr. Chairman: Whatever.

Mr. Taylor: Are you saying that you are going to recommend in advance that the government finance this?

Mr. Knight: As a compromise, could I suggest that (b) be worded as "it should encourage the implementation of any recommendations coming from the township's tours and development strategy studies."

Mr. Chairman: Is there any problem with that?

Mr. Knight: I ~~would~~ suggest (b) not be there at all, but it at least identifies the study, recognizes that there will be recommendations and does

12
(Mr. Knight)

R-1655-2

June 3, 1966

not commit anybody to anything.

Mr. Chairman: If we knew what it said, it would be an entirely different debate, I think.

what about (c)? Are you all right on that, Merike?

Mr. Wildman: I have a suggestion to make the two of them one.

Mr. Chairman: It is your town.

Mr. Wildman: I have just been imposed upon by the committee with regard to whether we should be trying to develop tourism there, but I will accept the proposal.

Mr. Chairman: Now, be fair. Nobody is saying that tourism should not be developed in the Wawa area.

Mr. Wildman: No, but you are saying it should be done by the private sector, and we all know what has happened in the past.

Mr. Chairman: No.

Mr. Taylor: He said if it is a private sector recommendation, it may not be appropriate for the government to be funding that recommendation. That is what he said, not that the recommendation is invalid.

Mr. Wildman: I suggested some time ago that (c) should be the first sentence and the second sentence should be, "The township's tourism development strategy study is currently in its draft stage." The third sentence should be what my colleague suggested.

Mr. Chairman: Is there any problem with that? Is that all right, Merike?

Ms. Madisso: Yes.

Mr. Chairman: We are combining (c) and (b) and starting out with the beginning of (c) and then following on with what Mr. Wildman just said.

Ms. Madisso: And ending with Mr. Knight's?

Mr. Chairman: Yes.

Ms. Madisso: Okay.

ommendation
Recommendation
Mr. Chairman: All right. Number 6 has to read in the Wawa area, "so it is specific. Number 7: "The Ministry of the Environment shall facilitate the formation of a local committee representing a variety of opinions in the community to ensure that there is local input into the assessment of the environmental impact and economic benefits of the proposed Great Lakes Power Ltd. project on the Magpie River." That is one way of doing it.

The other way would be to call for an environment assessment, but it is a private sector project so probably..

R-1655-1 follows.

~~"The economic benefits of the proposed Great Lakes Power Ltd. project on the
Highway 667. That is one way of doing it. Another way would be to build for
an environmental assessment, but that is a more expensive project, so probably
this is the best way."~~

Mr. Wildman: The ministry is already considering designation. I have a letter, just received from the minister today, indicating that as yet they have not made a decision with regard to designation, but he has agreed as per the discussion I had with his deputy before this committee that they will assist in the development of a committee, whether or not they designate.

Mr. Chairman: (You are) okay with this recommendation, then?

Mr. Wildman: Yes.

Mr. Morin-Strom: I think we should have "economic costs and benefits."

Mr. Chairman: Okay.

Mr. Wildman: "The economic costs and benefits"?

~~Mr. Chairman:~~
Morin-Strom
Mr. Chairman: Yes.

Recommendation 8:

Mr. Chairman: This is probably the most important one in the whole report. "In order to shorten by two hours, the distance that trucks must travel to Wawa and northwestern Ontario from Sudbury and centres south and east of it, the provincial government should extend Highway 667 to Highway 144." That is a great recommendation. It is inspired even!

Mr. Taylor: That is the old logging road, Mr. Chairman.

Mr. Chairman: It is indeed.

Mr. Wildman: ??TBA.

Mr. Chairman: Yes.

Mr. Knight: Perhaps the member for Sault Ste. Marie (Mr. Morin-Strom) could indicate whether there would be any ~~economics~~ *diseconomies* in doing that, as far as Sault Ste. Marie is concerned. Are you going to end up with a bypass of sorts?

Mr. Morin-Strom: It depends on what that highway ^{??} is supposed to do. If it means a new Trans-Canada route, then it would be a potential problem, but I assume ~~that~~ it means a level 600-type highway.

Mr. Knight: Until pressures mount, once it is through; when the people coming from Thunder Bay realize it is a shorter route. I just threw that out as a point, if you have considered that or not.

Recommendation had
Mr. Chairman: Number 9.

Mr. Morin-Strom: *recommendation*
I think in number 8, instead of absolutely endorsing the extension of the highway, perhaps we should be putting it in the context that the study should be done of that possibility, because the cost of that highway should be very expensive. It could be costing multimillions of

(Mr. Morin-Strom)

^{few}
dollars, with ~~little~~ tangible benefits.

Mr. Wildman: With respect, Mr. Chairman, I understand what my colleague is saying, but if we just keep saying study after study, if the government were to follow our recommendations, the only people who ~~are going to~~ would benefit from them ~~are~~ ^{would be} a bunch of god-damned consultants from southern Ontario.

Mr. Morin-Strom: That brings up ^a the new recommendation. I think we ~~would be~~ ^{would be} better off if all these studies were done by consultants from the Algoma district.

Taylor I will
Mr. Chairman: Well, they speak very highly of you.

Mr. Chairman: I think there is already a study under way to deal with ^{the area} from Highway 144 to Highway 129, so ~~this is part~~ —

Mr. Stevenson: Is that the one through the wetlands?
~~interjection~~

Mr. Chairman: No, with the understanding that all significant wetlands will be bypassed, and any good farm land as well. Can we move on?

Recommendation (Wawa's development)
Number 9 refers to ~~it being developed~~ as a subregional centre. Is it not a repeat of a previous recommendation?

Mr. Wildman: It was on page 14 ^{of} and it was ~~in~~ the text. It was not a recommendation.

Mr. Chairman: Right [/] you are.

Mr. Taylor: (You are) categorically coming out and stating that it should be a subregional centre?

Mr. Chairman: We already did that, did we not?

Interjection.

Mr. Chairman: Yes, we recognized it as a subregional centre. Is there any need for that one to be repeated?

Mr. Wildman: If you are going to take it out anywhere, take it out of page 14.

Mr. Chairman: I see what you are saying. Okay. Are there any problems?

Ms. Madisso: Did you want that taken out of 14?

Mr. Chairman: I think it ^{would be} best to leave it. I thought it was repeating a recommendation, but it is not. Mr. Wildman is quite right. This is a recommendation—

Mr. Taylor: The other is an observation and this is a recommendation.

5 p.m.

Mr. Chairman: Right. This is a recommendation flowing from the very ~~keen~~ observation made earlier. On to recommendation 10.
R-1700-1 follows.

~~Mr. Wildman: In quite right. This is a recommendation.~~

~~Mr. Taylor: The recommendation is to change.~~

~~Mr. Chairman: Right. This is a recommendation. This is a recommendation.~~

recommendation

Mr. Wildman: On 10, and I cannot recall the discussion at the time, I am sorry, but are we not suggesting that the government should consider making ~~that~~ capital more easily available to small business in the communities, not to the community?

Mr. Chairman: That is what was meant. It does say existing programs and making this capital more easily available to risk takers.

Mr. Wildman: Small businessmen, or entrepreneurs; whatever term you want to use.

Mr. Chairman: The private sector? Which do you want?

Mr. Wildman: Why do we not say entrepreneurs?

Mr. Taylor: Entrepreneurs is a nice sounding word and very much in fashion right now but does it cover some of the ordinary folk ~~that~~ are struggling with their business, who ~~had to~~ call themselves entrepreneurs but ^{are} often bypassed. ^{es would hardly}

Mr. Wildman: Okay. Why do we not say small businesses?

Mr. Chairman: What about the co-op people too?

Mr. Wildman: That is a good point. ^{Did} ~~Could~~ we make that recommendation with regard to Sault Ste. Marie?

Mr. Chairman: Yes. I think we did it at some point. Why do we not add that in there? To the small business and nonprofit community.

Mr. McGuigan: That includes??

Mr. Chairman: Doctors, clinics.

Mr. Taylor: Anyone working for himself.

Mr. Morin-Strom: Algoma Steel also.

Mr. Chairman: I ^{have} always heard if you want to have a small business in Canada you start with a big one. ^{that}

"11. Before any further downsizing of Algoma Ore division operation, Algoma Steel should re-evaluate its position vis-à-vis the mine owned by the Tilden Mining Co. of Michigan, the intention of using more ore from ^{the} mine than the Michigan mine." ^{from} ^{that is} ^{with}

Mr. Wildman: ^{that is} Not worded correctly. ^{It} ^{that} Should be Algoma Steel Corp. should re-evaluate its position vis-à-vis the Tilden mine in Michigan.

54
Mr. Chairman: I do not think that says enough to someone picking this up and reading it.

Mr. Taylor: Were there observations on this in the text?

Mr. Chairman: I do not think so.

Mr. Taylor: I do not recall observations. And just to hit you cold with a recommendation without any foreplay is shocking.

Mr. Wildman: You do not want to come to the climax I want.

Mr. McGuigan: No one is going to touch that one.

Mr. Chairman: I think what we are saying here is ^{that} Algoma Steel should consider using more ore from Wawa and less from Tilden?

Mr. Wildman: Right. We are not suggesting ^{it} ~~they~~ should. We are suggesting ~~they~~ ^{it} consider it.

Mr. Chairman: There needs to be two sentences there or maybe even an introductory sentence, "Since Algoma Steel uses--what percentage of ore from the Tilden mine?"

Mr. Wildman: Approximately 60 per cent.

Mr. Chairman: "Since Algoma Steel obtains approximately 60 per cent of its ore from the Tilden mine and only 30 per cent from Wawa, the committee recommends that it--"

^{it} Mr. McGuigan: I do not think we heard anything that would indicate why ~~they~~ should use more from one or the other. We are taking it on ourselves to present this. It seems to me we could ask ~~them~~ ^{it} to re-examine and try to find ways to reduce the costs in the one situation so ~~that they~~ ^{it} could continue.

^{to be} Mr. Taylor: With respect, I think there ~~is~~ ^{was} reason ~~was~~ ^{was} the commitment ^{for} made, from what I understand.

R-1705-1 follows

↓

Mr. Taylor: The basic reason for the production of the ore was the fact that one was the content of manganese in the ore, which was something ~~that~~ --

Mr. McGuigan: The indications were the other way ^{from} ~~from~~ what we are making here.

Mr. Taylor: This is the reason for the Tilden ^{mine} and also the dedication of part of the production of the Tilden mine, because of agreements, so that the arguments that I heard were in favour of the present breakdown of 60-40. If we have evidence that would indicate that was not a proper or fair conclusion, that is one thing. Surely all we can do is to ask ~~them~~ ^{us} to re-evaluate (presumably the situation) with the view ~~to~~ ^{of} increasing to whatever extent possible the utilization of ore from the Wawa area.

Mr. Wildman: Why do we not simply end the sentence after the word, "Michigan?"

Mr. Chairman: The only problem with that is I think you still need that opening sentence that refers to--

Mr. Stevenson: ~~From the~~ The production at Wawa.

Mr. Chairman: Exactly. ~~That~~ At present Algoma obtains its ores from two major sources, the Tilden mine and Wawa, and 60 per cent is obtained from Tilden and 40 per cent from Wawa and the committee therefore recommends ⁴ "

Mr. Wildman: End the sentence at the end of the word, "Michigan."

Mr. Chairman: Yes.

Mr. Wildman: Vis-à-vis the Tilden mine in Michigan.

Mr. Chairman: Any other comments before we wrap this up ^{as a} ~~as a~~ report?

Mr. Wildman: It has been real.

Mr. Chairman: Is the title all right?

Mr. Wildman: I ~~really~~ ^{really} have no problem with it.

Mr. Chairman: May I suggest to the committee that we are waiting for a reply from the Kimberly-Clark people to come and spend a couple of hours with us and until we hear from them we not make any decision on Kimberly-Clark and the Terrace Bay area. It is possible that once we hear from them we ~~do~~ ^{can} not wish to go there, given the constraints of time and distance. ~~I suggest~~ ^{I suggest} we simply hold a decision in abeyance on that. It is becoming increasingly awkward to go there and perhaps not even practical to recommendations ~~that~~ ^{that} we still continue with our invitation to have them come in and have a chat with us. Any problem with that? We will go ahead ~~on~~ ^{on} that assumption, then.

The other point is that the estimates list is out with all the references to this committee. We must determine when we start Environment, which is first up. Now there has been no opportunity to discuss this with the

So
(Mr. Chairman)

two critics and the minister. I have no idea what is possible. I doubt if things would be in place before next Monday, but I am guessing on that. If everybody was really anxious to start this week I assume we could. Before we make that decision, does the committee want to have another look at this or are you satisfied we have been through it enough?

We will go ahead with that and that leaves us our time. If the Kimberly-Clark people happen to say they can come quickly, then so much the better, but I doubt if it will be this week. Can we leave it to the call of the chair about the estimates, after I have consulted with the minister and the two critics?

Mr. Wildman: About the process, when do we anticipate that we will be able to table ~~this~~ this?

Mr. Chairman: You raise an interesting point. I was just talking to Todd about this before the committee started. We dealt with this under the reference of the Ministry of Industry and Trade and once we report this back, then that dispenses with that reference which will dispense with Kimberly-Clark as well.

Mr. Morin-Strom: Kimberly-Clark was not part of that reference.


Mr. Taylor: Neither was this.

Mr. Morin-Strom: Pardon?

Mr. Chairman: Neither was this but this is what we used. We used that to deal with this.

Mr. Wildman: Yes, but it was as separate reference. Is the clerk

R-1710-1 follows



Mr. Wildman

Mr. Wildman: Yes, but it was a separate reference. In the past, indicating that you cannot refer an annual report to the committee more than once on various issues?

Clerk of the Committee: If we report to the House on a matter that was referred to us by way of that petition, it would nullify the reference in the Orders and Notices. Once we have reported back to the House--

Mr. Wildman: Yes, but this was referred under the old rules. I thought that under the new rules, all reports were automatically referred to committee. If we tabled this, why would that suddenly remove the annual report of the ministry from the purview of this committee, if it is automatically part of the purview of this committee under the new rules.

Clerk of the Committee: The reference of The report of the Ministry of Industry and Trade that was referred under the old rules was the 1984-85 report. Under the new rules, as they become available in ~~the~~ new fiscal years, new reports will automatically stand referred.

Mr. Taylor: Can we not submit an interim report and put this in as one?

Interjection: That is an idea.

Mr. Wildman: I think Jim Taylor's idea is the solution. We should submit an interim report.

Mr. Stevenson: We could say we have completed the portion of the study relating to Sault Ste. Marie and Wawa and that, as situations arise, we hope to extend that to others.

Mr. Chairman: It does not make sense to hold this up.

Mr. Wildman: This is an interim report with regard to the Ministry of Industry and Trade as long as it is fully understood by all of us that it is not an interim report with regard to Wawa and Sault Ste. Marie.

Mr. Chairman: Exactly, but we also need a motion.

Mr. Morin-Strom: It is a final report on that particular issue, but it is an interim one on the report of the ministry.

Mr. Chairman: We need a motion to adopt this and have it referred to the House.

Mr. Wildman: I would so move.

Mr. Stevenson: ~~It would have to be~~ adopted as corrected.

Mr. Taylor: And ^{we} refer it to the House ^{as an} ~~with the~~ interim report.

Mr. Chairman: Absolutely. We should wait until everybody has signed it and it is printed. That will not take that long, will it?

Interjection: ^{It should take} A week or two weeks.

Mr. Chairman: Are there any other comments or problems?

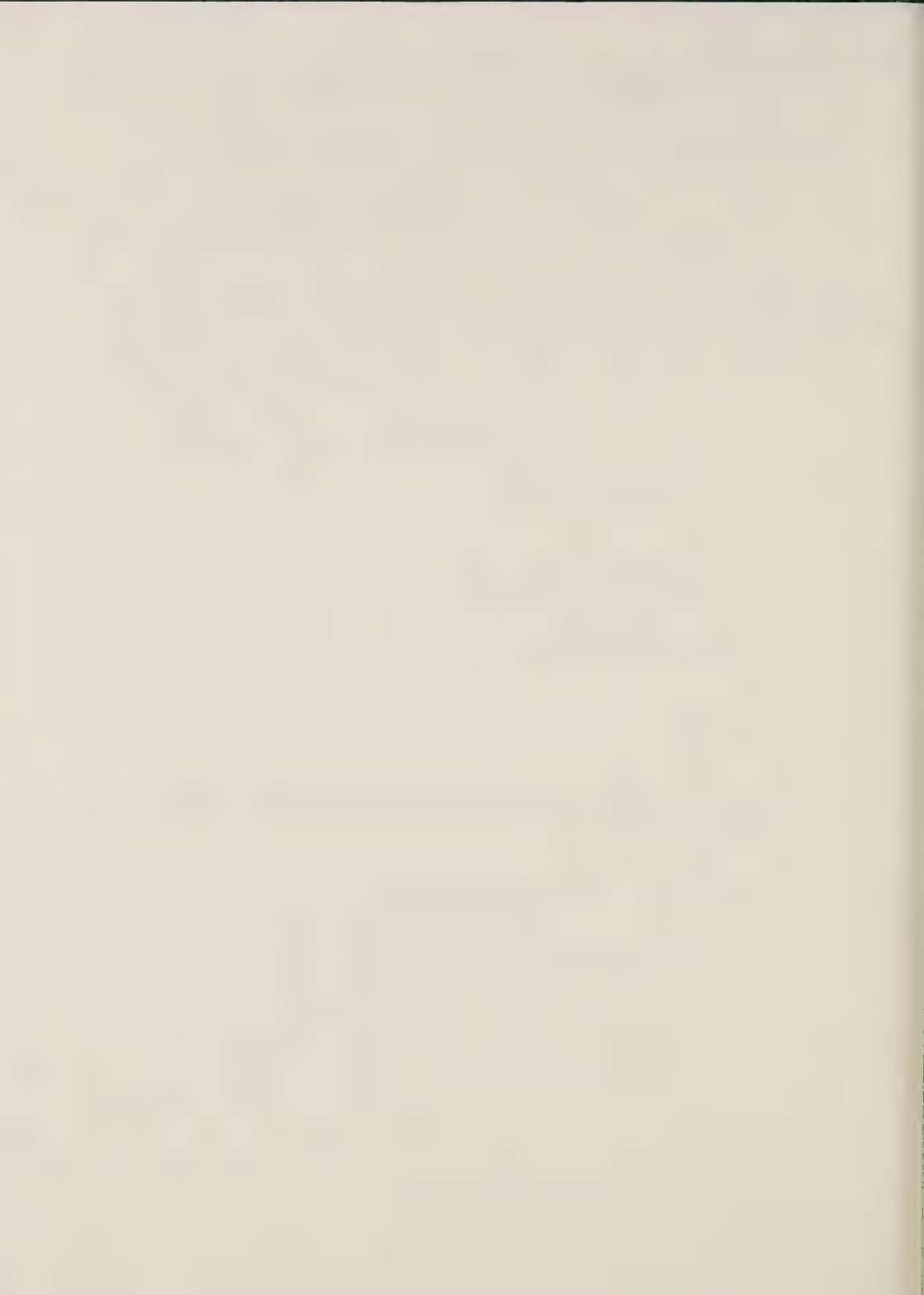
Mr. Wildman: I have a question about the process, as well. My colleague raised an interesting little question. He and I were substituted on the committee for this particular reference. If we are now substituted off the committee because you are moving on to other matters, when it comes to the signing of the report, who signs?

Mr. Chairman: You two would sign it.

The committee adjourned at 5:13 p.m.

CA20N XC13 -S78

Lacking R43-15 (June, 1986).



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85

MONDAY, JUNE 23, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Hayes, P. (Essex North NDP)

Knight, D. S. (Halton-Burlington L)

McGuigan, J. F. (Kent-Elgin L)

Pierce, F. J. (Rainy River PC)

Smith, D. W. (Lambton L)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitution:

Bossy, M. L. (Chatham-Kent L) for Mr. McGuigan

Also taking part:

Pouliot, G. (Lake Nipigon NDP)

Clerk: Decker, T.

Witness:

From Kimberly-Clark of Canada Ltd.:

Lavallet, J., President and General Manager, Pulp and Forest Products Operation

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, June 23, 1986

The committee met at 4:10 p.m. in committee room 1.

ANNUAL REPORT, MINISTRY OF INDUSTRY AND TRADE, 1984-85
(continued)

Resuming consideration of the 1984-85 annual report of the Ministry of the Industry and Trade.

Mr. Chairman: The standing committee on resources development will come to order. With us today is Jack Lavallet, president of Kimberly-Clark of Canada Ltd.

Mr. Lavallet, could you come up here? First, I want to welcome you to the committee. We appreciate the fact that you are here. It is too bad my attempts to meet you up north at your operations did not work out.

By the way, we are getting nameplates so that you will recognize the various members of the committee. The members are from all three political parties in the province. The member who represents the community which is most directly affected is Mr. Pouliot, with whom you were chatting earlier. Some other members here are from northern Ontario, including Mr. Pierce, who is right in front of you, and Mr. Ramsay over here. There is some concern and some appreciation of the problems of northern Ontario.

First, to refresh our memories, can you tell us how we got to this point, with the announcement that Kimberly-Clark made that has people so concerned about the future of those communities, including Terrace Bay?

KIMBERLY-CLARK OF CANADA LTD.

Mr. Lavallet: Over the past several years, it has been recognized corporately, and shared with the employees, that the Terrace Bay operation of Kimberly-Clark Corp. of Kimberly-Clark of Canada Ltd., was not a profitable business. It had lost many millions of dollars, continued to do so, and was projected to do so in the light of the money that flowed in while none flowed out of the mills, plus the whole pricing situation worldwide and so forth.

In 1985, Walter Groman, who at that time was in my position as president and general manager, approached the employees and provided some information to some members of the government with respect to the unprofitability, if you will, of the operation and stated that more effort had to be brought to bear. There were a number of cost-cutting efforts and meetings and employees' ideas were solicited, but it was not enough.

Mr. Chairman: When was this?

Mr. Lavallet: In 1985. In 1986, at the board of directors' meeting on April 15 or 16, Darwin Smith, the chairman of the board and chief executive officer of Kimberly-Clark Corp., made the statement that the situation of the lack of profitability of Terrace Bay would be addressed. He said he would not pass that on to his successor and that, representing the stockholders, he had

lived with that for several years and it could not continue. It drains the corporation of assets that are vitally needed in other parts of the business. He chose that board meeting in Roswell, Georgia, to make his announcement.

He then visited Terrace Bay at my request on May 3 and spoke at three meetings, one at Longlac and two at Terrace Bay, where he discussed the matter. A draft of his speech was provided to Mr. Pouliot and I assume it has been received by the members of the committee who were interested in it.

Mr. Chairman: Are there any questions from members of the committee?

Mr. Pouliot: I want to echo your sentiments, Mr. Chairman, and others of the committee in welcoming Mr. Lavallet who is paying us the compliment of a visit.

I have a series of questions that are not too complex or long. Mr. Lavallet, I want to talk specifically about the content of the remarks made by Darwin Smith, the chairman of the board, in both Longlac and Terrace Bay on May 3, 1986. Has the situation changed since Mr. Smith's remarks to the employees and residents of Longlac and Terrace Bay?

Mr. Lavallet: If we condense Mr. Smith's entire speech to just a few words, it would be that Terrace Bay is unprofitable. That has not changed. No change in pulp pricing we see today will affect that greatly.

He said that by the end of the year, he would have a plan in place that he had approved at his level to directly address the profitability issue. That has not changed. He gave me the responsibility of developing that plan and I am in the midst of doing that.

Mr. Pouliot: We notice that pulp prices are firming up; they are somewhat better than they were at this time last year. I am sure you are aware of that, Mr. Lavallet. In futures, things look a lot better than they did. I am sure you are familiar with commodities; it is a way of life in your business.

Do you see any probability that, given the potential for increasing pulp prices--and I want to put it in relation to the cost factor--the overall picture could possibly change in the near future?

Mr. Lavallet: If we were to graph pulp prices as compared with rates of inflation on everything else during the last several years, pulp pricing is very far behind. If pulp prices continue to increase over the next number of years, the problem of profitability will not be as great. Mr. Smith said it himself. Nevertheless, I believe Mr. Smith agreed that we are projected to lose \$28 million this year. It will not be a plus number because of any pulp price increases we saw at April 1.

Mr. Pouliot: Let me refresh my memory. You stated that the loss was in the order of \$17 million in fiscal year 1985. Even with the enhancing of pulp prices for 1986, you believe the cost factor will be such that we could be looking at a projected deficit of \$28 million.

Mr. Lavallet: In 1985, when we developed the budget for Terrace Bay, the money it would take to run the enterprise there offset by what we would sell the product for, the projected losses for this year were \$25 million to \$30 million. I believe that, more than anything else, stirred Mr. Smith to consider the problem in a new light.

Mr. Pouliot: You recently went to Georgia to consult with the head office. Surely the situation of Kimberly-Clark of Canada Ltd. was mentioned during that recent journey. What specific course of action was decided upon?

Mr. Lavallet: The trip I made to Roswell, Georgia, was not particularly different from the ones I make routinely to Neenah, Wisconsin. I have not been to Dallas lately. It was certainly, however, to discuss the subject. That is the first thing on our agenda at every meeting.

No plan of action has been approved by Mr. Smith. I am still developing the plan of action myself with a limited number of deputies, plus whatever corporate or legal people we bring in to help make the business decision that will become the plan of action we present to Mr. Smith. That plan has not come together, although it is being refined. The date for its implementation has not been set, although we are closer to it than we were on May 3.

Mr. Pouliot: I quote directly from page 6 of your statement to employees and residents of Longlac and Terrace Bay, made on May 3, 1986:

"As quickly as possible, your operations will be evaluated as though we were starting from the beginning. The objective, with your assistance, will be to increase productivity and reduce costs. We will continue to encourage further development of the quality management process and a more participative style in approaching our work. We will look to new and novel ways to do business."

4:20 p.m.

We, too, hate surprises. Surely at this stage a style, mechanism, approach, philosophy or something that the employees--I am talking here in terms of what is said on page 6 of the statement. When people say they will develop as quickly as possible, one assumes that they have, not something up their sleeve, but a plan of attack or options or alternatives in mind before making a declaration as such. Could you perhaps illustrate in what direction, if any, your plan of options is directed?

Mr. Chairman: I did not want to interrupt you, but I do not have a copy of that and I do not think other members do either. Would it be possible to get some copies made of that right now so that we are all looking at the same papers? Thank you.

Mr. Pouliot: At this stage, what do you see as possible alternatives following the announcement that was made on May 3?

Mr. Lavallet: I am sure you realize I am not at liberty to share all the alternatives we are considering. Mr. Smith outlined in his speech that there were possibilities from, I will not say nothing changing, because he has committed to the stockholders that something has to change, all the way through disposing of--closing--all or part of the business. We cannot continue to run an unprofitable business at Terrace Bay.

My responsibility is to find a series of business decisions and actions that, when made and taken, will cause that not to happen, or at least not in totality.

There are alternatives being considered. At present, they are all driven by good business economics. Some are very simple and straightforward and some are very complex.

We have met with Mr. Bradley of the Ministry of the Environment, Mr. Wrye, Mr. Kerrio, yourself, Mr. Fontaine, and Mr. Rae. To each of those gentlemen, and to several of their deputies who visited Terrace Bay and asked similar questions, I have said that when we have a decision in whole or in part that is approved by Mr. Smith, we will share it and get whatever help we can or need from the government, provincial or federal, at that time.

Mr. Pouliot: In seeking alternatives to alleviate what we recognize as a most difficult situation, would you rule out the possibility of selling part of the operations or the whole operation?

Mr. Lavallet: Mr. Smith has put that as a possibility right in his speech.

Mr. Pouliot: There has been no change. That possibility would still exist, given the right circumstances.

Mr. Lavallet: Yes.

Mr. Pierce: Are you referring directly to the woods operation becoming a private operation as opposed to a mill controlled by Kimberly-Clark? Is that what your alternative of selling off part of the operation would be?

Mr. Lavallet: That would be your alternative.

Mr. Pierce: No. I am not one of the members of the board of directors of Kimberly-Clark, so I do not have that alternative, but would that be considered one of the alternatives by Kimberly-Clark in this situation?

Mr. Lavallet: I cannot say specifically that is being considered, but neither can I say it is not. A person with a knowledge of the business recognizes that could be an alternative.

Mr. Chairman: What do you own? You do not own the woods. How could you sell what you do not own?

Mr. Lavallet: We have a forest management agreement at the Ministry of Natural Resources. We have some 1,000 employees, and the company owns just about all the equipment that is used in logging around a million cords a year off the limit.

Mr. Chairman: You are talking about equipment, because you cannot sell or transfer the agreement.

Mr. Pouliot: Mr. Chairman, for clarification, that is what my reference was: going back to private operators as opposed to an operation controlled by that company.

Mr. Lavallet: If I may, sir, I do not quite remember how the word "sell" got worked into that. I did not say, "sell the limit." Please do not let that appear as a statement.

Mr. Pierce: I will ask for a clarification as well. I did not suggest that the limits could be sold.

Mr. Lavallet: They certainly cannot.

Mr. Pouliot: I do not have the statement in front of me, and at the risk of sounding naïve or, more appropriately, candid in matters of this type, maybe you can help me put this together.

Darwin Smith spoke at some length on May 3, regarding the faith he had in the employees. I think he used the rhetoric, or the style of approach saying, "which is as much faith as I had," and then he went back so many years and used the repetitious process to emphasize not only that Kimberly-Clark had been a good or excellent corporate citizen, but also that there was a family affair, a family tone in the spirit of solidarity in that people who were involved at any echelon of the Kimberly-Clark operation were indeed part of this family.

I think--and this is where you may be able to help me--he stated that the process of consultation had been alive and well in the past and that in seeking ideas--you made a short reference to this at the beginning of your answer to the first question--this had been the style that people were accustomed to. In times of prosperity, although they were few and far apart in terms of the Kimberly-Clark investment from the beginning of its participation in northwestern Ontario, people were invited to put forth ideas and suggestions to enhance the economic picture and, therefore, to ensure their future. Has there been any change now?

In saying this, what we are seeking from you is whether, to your knowledge, people will be given every opportunity to develop the present scenario before any announcements are made regarding their future? If I were an employee of Kimberly-Clark in any capacity, would I be given the assurance that I would be involved in the decision-making process in seeking alternatives or would I have to react as opposed to participate? In other words, would you, in the second instance, make an announcement and leave me with only the option of reacting to what you had said?

Mr. Lavallet: If I may, let me split my answer into two parts.

Forming the basic business decision of what business we will be in, how the business will be corporately structured, Mr. Smith has given me the responsibility for developing that plan with a very limited number of deputies.

As far as the employees are concerned, we have met and continue to meet with the union executive committees. We have outlined for all employees the things they can do to best help the situation, not only of the Terrace Bay enterprise but also of themselves right now. That means the mill must run to produce quality tonnage at the least cost right now, every day. Employees recognize that and they accept that.

Their daily charge when they come to work in the morning, what it is they are set out to do, is to make quality tons at least cost.

4:30 p.m.

Mr. Pouliot: When we talk about those deputies, I am not too familiar with that terminology.

I deal better, I can assure you, in terms of efficiency experts. Some people have referred to them lightly as a Charlie the Chopper. I am sure you have heard that terminology expressed before when it was time, let us face it, to cut jobs under the headings of constraints and restraints or austerity programs. In our neck of the woods, we are only too familiar with what that

means. I would like to know about the people responsible for implementing those economic changes--in other words, for entertaining the possibility of putting the operation of Kimberly-Clark of Canada Ltd. in northwestern Ontario on the right track again. Are they local people, or are they--if you will excuse the expression--imported from elsewhere, mainly from the United States?

Mr. Lavallet: Those people are myself and my immediate deputies. We act with the approval of my principal, Mr. McCauley, and his principal, Mr. Smith. Locally, I believe I am the only one you can call imported.

Mr. Pouliot: I am not saying this for the record, Mr. Chairman.

Mr. Lavallet: I should go on record as saying that I did not come to Canada to do anything except support Terrace Bay, its people and its economy. That is certainly my personal goal.

Mr. Pouliot: Thank you. In the same line of talk, I had an afterthought, if you will bear with me for a few more moments. We talked about a twofold question.

One aspect of it was the corporate decision level, if there is any such thing, and the other was the day-to-day increase in productivity, the nose-to-the-grindstone approach. However, on page 6 of your statement, it says--and perhaps I am being naïve--that "we must work together to resolve the problem." It goes on to say, "and we cannot delay."

If that is what it said, I assume there was a resolve in the spirit of solidarity to consult everybody at every turn of the operations. Now I am told that there are some corporate decisions where consultation with people in the work place will not necessarily occur.

Mr. Lavallet: That is correct.

Mr. Pouliot: Is that correct? Okay.

Mr. Chairman: Are you taking a moment?

Mr. Pouliot: For the moment. I have some additional items, but I--

Mr. Chairman: Other members have questions as well.

Mr. Pierce: Mr. Lavallet, you certainly have my appreciation for taking time from your busy schedule to appear before the committee. A couple of questions come to mind.

We recognize the important role that pulp and paper plays in northern Ontario. If we see your mill in trouble, do we look beyond your operation and see other mills in northern Ontario with the same kind of problem?

Specifically, I would like to know as much as possible from you, because I am sure you have by now identified to some degree the problems you are faced with and where they come from. Is there a message in what is happening at your mill for other mills in northern Ontario as well? If there is, would you be prepared to share that message with the rest of the industry?

I am looking at the figures you just presented us with. You faced losses in 1985, and you are looking at impending losses in the neighbourhood of \$28

million in 1986; yet you are running a mill at full capacity. Looking at those kinds of losses, there has to be a message we should be able to learn from.

Can you give us any idea what is happening at the Kimberly-Clark operation that you do not think is happening at the other operations in northern Ontario? Perhaps they are happening at the other operations, and we do not know about it.

Mr. Lavallet: I think there are several things that could probably be singled out, either for the industry as a whole or for Kimberly-Clark, Terrace Bay, in particular.

The world pulp market is certainly not very supportive of the industry as a whole. It seems to consume most of the pulp, but it pays a price which has not kept pace with inflation for the last several years.

Mr. Pierce: May I interject? Can you tell me why that has not happened? Is it because of imports--pulp coming from other sources outside North America--or is it just that there had been a reluctance to keep pace with inflation?

Mr. Lavallet: I cannot tell you that. I do not have the background to answer. My background, corporately, is in a different type of pulp in the southern US, primarily as a manufacturer as opposed to an analyst, and I am not qualified to answer that.

Mr. Pierce: I appreciate that.

Mr. Lavallet: One concern--there are many concerns, but one concern, which again, Mr. Smith quoted in his speech, and I do not mean everything I am saying bounces out of his speech--is that as the pulp consumers' demands for quality have gone up, a number of mills, for example, Terrace Bay, where the smaller part of the facilities was built in the 1950 range, are not capable of keeping up with the quality demands of the market without a major infusion of capital.

Depending on the corporate situation, the pulp market may not allow you to put money back into a mill of that vintage, particularly with a depressed market.

There are pulps which have been developed within the past five years that are displacing some Canadian and some US pulp, particularly eucalyptus pulps from Spain and Portugal and some from Australia, and those pulps are particularly good for the business we sell to. They can be made and imported relatively cheaply and they have excellent characteristics for making products you and I use every day.

Mr. Chairman: Have you finished your statement in response to Mr. Pierce?

Mr. Lavallet: Let me add one other thought. We have had many questions from employees asking, "What are we doing to try to find the magic ingredient or the right combination of manufacturing processes to put together either for pulp production or for the production of the finished product of the mills that make the thing you see on the grocery store shelves?"

To make Canadian pulp such as we produce as good as or better than some of this material that is brought in, Kimberly-Clark continues to work--and I cannot speak for the industry, but I would be very surprised if other people are not continuing to work--to try to find a combination of things that will make Canadian or US pulps work the same way as the imported pulps in the hands of a consumer when he picks up a tissue and feels it.

That is a very difficult technical problem; we do not have a solution. We know of no machine to buy or magic ingredient to pour into the process. There are some things that can be and are being done, not only by Kimberly-Clark but by other people who make and use pulp. I understand from reading the journals that come out discussing pulp markets that all the eucalyptus pulp that is made is sold.

Mr. South: Could you repeat that?

Mr. Lavallet: All the eucalyptus that can imported and used is being imported and used. In other words, mills that consume pulp buy eucalyptus right up to the amount they can get in their front doors.

Mr. South: It is in demand.

Mr. Lavallet: It is definitely in demand.

Mr. D. W. Smith: Within the last four years, has Kimberly-Clark built any new plants or bought into any plants in other parts of the world, especially with this eucalyptus pulp you are talking about?

4:40 p.m.

Mr. Lavallet: You give me difficulty with the four-year time limit. Kimberly-Clark is involved in a mill in Australia that produces eucalyptus pulp, but I have no knowledge of the size or age of the mill or the arrangement as to who owns or runs it. I do not know.

Mr. D. W. Smith: It could be relatively new and it could be old. You are not really sure whether it is a new plant or not.

Mr. Lavallet: I do not think it is a new plant, but I am not qualified to answer that. I am not familiar with all the worldwide facilities of Kimberly-Clark.

Mr. Pierce: Mr. Lavallet, getting back to the primary product, the softwood product that is being used in the mill, do you know, from your experience, whether all the eucalyptus production is being utilized or is there more production out there yet to be utilized? Do you know that?

Mr. Lavallet: I do not know that.

Mr. Pierce: What you are saying is that current technology does not give you the ability to compete with the eucalyptus product with the existing wood fibre products that you have available to you here in Canada and in the United States.

Mr. Lavallet: That is part of a quality problem that we face. Again, you will gain more insight when you read Mr. Smith's comments. He directly addressed the problem that the market for our pulp is changing.

Mr. Pierce: May I move to another topic? That is the one of the Terrace Bay operation. In the limited time that you have had on this project, have you been able to identify directly the problems that face the operation at Terrace Bay to indicate losses of \$28 million? In other words, is the cost of the wood extraction a problem? Is the cost of shipping the product beyond the gates of the Terrace Bay mill a problem? Have you been able to zero in on where the major problems are in the losses and what brings them about?

Mr. Lavallet: Yes, we have. The one that has probably been most openly addressed is the question of raw material cost. That has to be involved in whatever plan we put together in some way. It may be in a large way or it may be in a fairly small way; I am not prepared to say that right now. We do not have the plan on paper.

Mr. Pierce: Kimberly-Clark engaged a fairly substantial modernization program at the Terrace Bay mill not that many years ago, I guess it was within the past 10 years. I believe you spent something in the neighbourhood of \$65 million on the modernization. Is that correct?

Mr. Lavallet: I cannot tell you the exact number. A number of projects were done. I believe it was much more than that, but I do not know the number.

Mr. Pierce: More than \$65 million. As long as we can establish the fact that it was in excess of \$65 million, or it was a substantial amount of money to modernize the mill--

Mr. Lavallet: It was a substantial amount of money, but I do not know the number.

Mr. Pierce: I am from northern Ontario and I recall the fire that plagued it just prior to the modernization and the startup of the new part of the mill. A question that follows from that is, after spending that amount of money in the operation to modernize--and you made reference to the mill's vintage in the 1950s and so on--did that not give you any turnaround in the profitability of the operation or were you plagued with even more losses after the modernization?

Mr. Lavallet: We were plagued with more losses. The mill currently exists as two manufacturing facilities. You mentioned softwood as one. Hardwood accounts for a third of the production at the mill. Hardwood happens to be processed in the 1950 vintage part of the mill. The expanded, newer part, which was built in the time frame of 1976 to 1978, produces all softwood.

Mr. Chairman: I am sorry, Mr. Pierce. I wonder whether I could get a clarification on that. I thought the new pulp mill was being built for absorbing an increased amount of hardwoods. Are you saying the new mill used softwood?

Mr. Lavallet: We make 1,200 tons a day, 850 of which are softwood. The balance is hardwood.

Mr. Chairman: Is the hardwood not mixed in with the softwood for the pulping process?

Mr. Lavallet: No.

Mr. Chairman: Is it totally separate?

Mr. Lavallet: Yes.

Mr. Chairman: Is it not the new part--

Mr. Lavallet: There is a five to seven per cent softwood content in the hardwood for mechanical manufacturing reasons, literally holding the sheet of pulp together. However, we produce two separate, distinct products.

Mr. Chairman: The softwood is a higher quality pulp.

Mr. Lavallet: Because the softwood is made at a more modern facility, its quality problems are not as great as those of the hardwood.

Mr. Pierce: Let me ask you a couple of short questions.

Of course, there have been lots of publicity and different stories coming out with respect to what is happening and could happen in Terrace Bay. A reference was recently made in a Thunder Bay newspaper to the environmental orders you are faced with. There were some questions by the union, as well as by the company, whether the orders being imposed on you would benefit the operation or correct the problem.

Do you have any comments on that? Is it true that it would be a shot in the dark if you did put it in and it might not correct the problems you have, but would have to be complied with because it is an order?

Mr. Lavallet: I was as surprised by that article as I am sure Mr. Bradley and his organization were. We have brought the environmental situation up and have asked Mr. Pouliot and others to help us address the right people in the government, because most industries work with a five-year environmental control order, signed jointly by the corporation and the government.

The control order for the Kimberly-Clark of Canada Ltd. operation at Terrace Bay expires on October 31 of this year. Five years ago, there was an agreement that there were seven particular things to be done. There were a few more, but basically there were seven objectives, seven parts of the control order would have to be complied with in order that the control order could be considered complete at the end of five years and a new one negotiated.

At meetings with Mr. Bradley and with Mr. Vrooman in Thunder Bay, both sides readily recognized that six of the seven were extremely successful, having been addressed through corporate spending and in-house chemistry changes in the process, if you will. The seventh, specifically dealing with toxicity requirements in the industry as a whole, has been very poorly defined. The control order said that certain things would happen, that certain moneys would be spent before the five-year period was up.

A year ago, Mr. Vrooman notified the government that no money was available for a system to address the toxicity problem because the problem itself was very poorly defined industry-wide. I believe Mr. Pouliot was involved in that.

Where we are now is that we have talked to Mr. Bradley and some of his deputies and have essentially made the same statement. We are not prepared to put \$15 million to \$20 million of equipment and hardware into that mill to address a problem--first, I will stop there--that by all admissions is very poorly defined. The equipment to address toxicity that most people are looking at has worked at some mills, but not at others. I believe that is a recognized fact.

4:50 p.m.

We are not seeking a no-control order situation. Mr. Bradley and his people are working very hard with some of my deputies to put together a control order for the mill so that neither side will be without one. That is not an objective, and I was very surprised to read in the paper that someone thought it was. It is not, for the protection of both sides.

Mr. Pierce: In conclusion, I have one other question in conclusion, which you may or may not want to answer. Feel at liberty. In planning your strategy, would you and your deputies look at a three-year plan, a five-year plan or an immediate plan? If the bottom line of the whole conclusion is that you cannot see any turning point in the operation of the Kimberly-Clark mill in Terrace Bay and it means a total or partial closure, will it be a step-down closure? Perhaps it is premature to ask you this, but would it be an immediate closure without a lot of preamble to it?

Mr. Lavallet: If I may, Mr. Pierce, you are premature even in wanting to discuss that. My job is to come up with a plan to prevent that from happening. We must never lose sight of the fact that the failure of myself or my deputies or Terrace Bay as a group could result in the very thing you just said. We must never lose sight of that fact.

I will jump right to the bottom line. We are negotiating with Mr. Bradley's organization. I do not know whether it will be three years or five years. Five years seems to be a nice package that most people use. Five-year control orders were certainly used in the United States.

Mr. Pierce: It would give you some lead time and some operational time as well.

Mr. Lavallet: Negotiations may have begun while I have been in Toronto. Certainly, the communication has been laid and we are waiting to hear from Mr. Vrooman on when he would be ready to sit down and negotiate specifically with Mr. Fikis, my deputy, who is our environmental manager.

Mr. Pierce: One of the conclusions of the committee on single-resource dependent communities--and it is only one of a number--stated that it appeared to be to the benefit of all concerned--corporations, residents and municipal, provincial and federal governments--to involve as many people as possible in whatever actions were deemed necessary within the corporate body.

I am sure you considered that. I hope you looked at that particular report. There may be something in it that would be of use to you and your deputies in coming to some final conclusion. In the limited time we had to deal with that report, it was our experience that there is a lot of very personal concern out there about what happens to your corporate body. Although sometimes it may not appear that way, a lot of people are very concerned and would very much like to be part of the process of whatever happens in your operation.

Mr. Lavallet: First, I did read the committee's report. Mr. Fontaine sent us a copy and I did read it. It was highlighted in the copy I received. Your point does not go without proper attention.

Mr. D. W. Smith: Have sales of pulp been increasing in Canada? Which way have they been going in the past number of years? Is Canada losing out in the markets it has been accustomed to because our production costs are too high? What does the trend look like, as you see it?

Mr. Lavallet: I have very little background with the Canadian pulp business. I have been in the country for only six months and I have devoted the majority of my time to getting the mill at Terrace Bay up and running. That is one thing that has to happen. The mill must run.

My background is in production, manufacturing and engineering as opposed to economics and analysis of the business. I know businesses in the southern United States; I do not know businesses well yet in Canada. I am not qualified to give an opinion on the nationwide situation.

Mr. D. W. Smith: I realize you have been here only six months and maybe you have not got it all together yet, but in the speech or statement by Mr. Smith, he says in Brazil, Spain and Portugal these plants are manned by people with much lower labour rates. I do not like even to ask this question, because people do not like to hear it. Do you feel that if the labour rates in your plants came down a fraction, it would help to reduce costs enough, or do they have to come down a great deal when you are competing with Brazil, Spain and Portugal? How do you see that, to get back into the marketplace?

Mr. Lavallet: We have to be careful not to look at the eucalyptus pulp situation as being Terrace Bay's problem. That is a problem we must face with the quality of our pulp. I do not address that as the problem of eucalyptus coming in and taking my market. I have to address it from the standpoint that if I can make a pulp good enough, I can compete with that.

Mr. D. W. Smith: However, our quality from Canadian pulp is not comparable to eucalyptus pulp.

Mr. Lavallet: For some products, that is correct; eucalyptus is a better pulp. By the way, the parameter we are talking about is the softness of a manufactured tissue.

Mr. D. W. Smith: Would it help the situation if the federal government was able to control the amounts of eucalyptus pulp coming in?

Mr. Lavallet: I am not qualified to answer that.

Mr. D. W. Smith: I am just trying to find some ways of helping these communities, because if the statements are going to be made that these plants have to close, then the province is faced with a lot of unemployment and a lot of problems in the number of towns that have your plants. I am trying to pose questions here that may help solve our problem.

Mr. Lavallet: Mr. Smith, and going back to what Mr. Pierce alluded to a minute ago, we feel--I feel--there are probably 2,000 people hanging on this plan we are putting together. In one way or another, there are 2,000 employees and each of them has families, and there are many suppliers of everything from brooms and mops to logs and tractors. It is a very heavy responsibility to consider that this plan could affect 10,000 people and probably will to some degree.

Mr. D. W. Smith: I am going to quit right there. Thank you.

Mr. Pouliot: I have some questions. I have asked about 10; so I will try to limit myself.

We are not trying to be parochial or to appear the least bit selfish, but we realize it is a simply shocking and appalling situation in terms of how it could be this way. I hope I am referring to what is still at this time a hypothetical situation.

Would I be right in assuming that part of the difficulties are in the context that we have two marketplaces here? We have the one we always refer to and know as the "competition of the marketplace," and we also have a company that buys from within, given the magnitude of the Kimberley-Clark investment and therefore its operations. In terms of selling our Canadian product, is that same product available to others in your own operation more cheaply, for instance in the US, for the purpose of producing goods through Kimberley-Clark?

Mr. Lavallet: I am sorry, I did not follow your question. Help me understand.

Mr. Pouliot: We are even. I had a problem with your answers on the first and second ones, but I will come back to this.

5 p.m.

Labour rates cause a problem, more directly in terms of competition. For instance, Mr. Clark tells us vividly that labour rates are only a fraction of what they are in northwestern Ontario in Spain, Portugal and the southern US. Is that right? It costs more to produce a ton of pulp at or bring one cord of wood to the mill in northwestern Ontario than it does in the southern US.

Mr. Lavallet: Are we speaking of raw materials or the labour rate?

Mr. Pouliot: The labour rate.

Mr. Lavallet: I cannot compare labour rates in Ontario with labour rates in Portugal.

Mr. Pouliot: Oh, but sure we can. Maybe we can at the local level, Jack. How would the labour rates paid at the Kimberly-Clark of Canada Ltd. operations in northwestern Ontario compare with those at the likes of Great Lakes Forest Products Ltd. and Abitibi-Price Inc. in the same region?

Mr. Lavallet: I am not prepared to answer that. I would have to assume that because rates are negotiated, they are comparable. However, that is strictly an assumption on my part. I do not routinely compare the labour rates of Kimberly-Clark and anyone else. Quite honestly, I have not been here long enough to do so. I would assume that at some point I will.

Mr. Pouliot: Okay. Do you have a collective agreement with your employees?

Mr. Lavallet: Yes, all our hourly employees are union members.

Mr. Pouliot: Would I be right, notwithstanding the fact that we seek legal counsel in matters of this kind, in saying that you are the number one person at Kimberly-Clark? In that context, when does the collective agreement expire?

Mr. Lavallet: There are several. That of the sawmill workers expires in August of this year. As well, I believe those of the International Brotherhood of Electrical Workers and the United Paperworkers International Union expire in April and August of next year respectively.

Mr. Pouliot: That would be shortly after Great Lakes, which is the pace setter, as we know, in matters of this kind, negotiating collective agreements. Right?

Mr. Lavallet: I have not been through a negotiation. I am not prepared to address negotiations.

Mr. Pouliot: Okay. Let us go back to profits for a while. It is like pulling teeth, Mr. Chairman.

Interjections.

Mr. Pouliot: Your records anticipate a loss of \$28 million for the fiscal year 1986.

Mr. Lavallet: That was the budgeted loss at the end of 1985. For 1986, it is between \$25 million and \$30 million.

Mr. Pouliot: To your knowledge, would this pretty well be the range? Is that the kind of ball-park figure we would still be looking at?

Mr. Lavallet: Normally, we do not share results until annual reports are produced. My point was that the situation was not projected to improve; in fact, it was projected to get worse.

Mr. Pouliot: Would that take into consideration any aspect of the Ministry of the Environment orders which are pending, in terms of lowering toxicity? Is there any money in the projected loss allocated for that under the environmental orders?

Mr. Lavallet: In other words, did we plan to spend money if things had been normal?

Mr. Pouliot: Yes.

Mr. Lavallet: A degree of capital spending is built into any budget projection; that is part of doing the budget itself for the coming year. Normally, we do not discuss what projects we are prepared to spend money on, simply because we do not have those approved until they actually happen.

Mr. Pouliot: We are simply trying, as mere novices and amateurs, to save money collectively. It is like going home; the whole family is gathered there, and they are all happy.

Mr. Lavallet: Certainly, we do not have \$15 million to \$20 million to spend on environmental issues.

Mr. Pouliot: But perhaps a portion of that could make up part of the hypothetical, but nevertheless projected, deficit for 1986.

Mr. Lavallet: Certainly.

Mr. Pouliot: On that ministerial order, would I be right in saying, using a ball-park figure, that it would be in the order of \$20 million?

Mr. Lavallet: Had we been in a position to address this toxicity issue, let us assume that it was well defined, that the equipment in the process change that was required was well defined and we were a mill that set out to spend the money. The hole in the ground that other mills had used and that the mill that I came from in the southern United States used was projected to cost between \$15 million and \$20 million and cost in the order of \$3 per air-dried metric ton produced to maintain and run.

Whether we are a functioning, viable, profitable mill or not, that is a tremendous amount of money. We have to be very sure that such a device is going to work at Terrace Bay before we invest that money.

Mr. Pouliot: For the benefit of this committee, Mr. Lavallet, would you have any ball-park figure regarding the five or six steps to take you into compliance, what you have done to lessen the environmental problem that you have had in recent years? How many dollars have been spent by Kimberly-Clark in its mill in Terrace Bay to implement those six steps that you mentioned?

Mr. Lavallet: Considering the changes that have been made in the plant in the past eight years since the expanded plant was produced and the money that went into that plant, we are talking in the order of \$70 million to address environmental things directly.

I should point out that the last \$7-million project addressing a spills control system is considered to be one of the best in North America. We have been used many times as an example of a system that works not only well but also extremely well, both by the Ministry of the Environment and by other industrial groups which are facing the same thing.

By the way, even though they have built their \$15-million hole in the ground, they still have to come back and put in other systems which we have in place and working today.

Mr. Pouliot: Would that hole in the ground--I have difficulty with the language--be a lagoon?

Mr. Lavallet: Yes, an aeration lagoon.

Mr. Pouliot: Would you therefore say that in recycling, in doing the job yourself over the years, you have gone above the call of duty, you have gone beyond what the ministry asked you to do? Would that be a correct statement?

Mr. Lavallet: If in the control order the ministry has given us targets and we are doing better than the targets, I think that merely shows we have a system in place that is working well. I do not think we would ever design and put in a system that would just meet a target. That would be a foolish way to do it.

Mr. Pouliot: I could go on for some time. On page 7 of Mr. Smith's statement made on May 3, relating to the fact that in 1970 he had to dispose of five mills in the United States, he said: "The people in these mills refused to recognize that their unwillingness to accept unavoidable change meant the end of their future with Kimberly-Clark. Perhaps some of them are happier now. I know many of them are not."

How would you interpret the refusal to recognize unavoidable change? From our side of the House, things are pretty rough when you come from a side where every penny counts. Would that need a concession of sorts in a collective agreement? Is that why it was said in that tone?

Mr. Lavallet: I am sorry, but I am not prepared to answer. I was not a part of that work. I do not think I would care to speculate on exactly what demands were made or concessions were asked, or whatever.

5:10 p.m.

Mr. Pouliot: The chairman of Kimberly-Clark also mentioned that no precipitate action would be taken. There would no hurry, no surprises and no shocking or appalling decision, for instance saying, "The mill will lay off so many employees." He has given his word. I am quoting that.

What the committee is mandated to do by resolution--and this is a standing committee, not a select committee--if I may put it briefly, it was the understanding of the chairperson that we had intended to visit the communities that are affected to consult with yourself, the major players in this endeavour, the employer of course, and also the councils, chambers of commerce and union leaders to seek options, develop alternatives and try to work out what the government could do to assist, if there is any way.

To do that, we wanted to have specifics. In the past some of the government's actions, if not mandates or terms of references, have only too often been limited to reacting, as opposed to anticipating and acting on the needs of a community.

You have responsibilities to your shareholders and to your employees. The committee was seeking assurance, in the spirit of consultation, that if there was anything at all that could be done, any options or alternatives that could be implemented, we too would be given the chance to act beforehand. I am pleased, and I incorporate the members of the committee as well, to see that the chairman says, "I give you my word that no precipitous action will be taken."

Almost two months after this announcement, I assume the same thing holds true, that no rash action will be taken. Is that right, Mr. Lavallet?

Mr. Lavallet: The fact that nothing has happened to date that you have read in the paper and said, "My gosh, they have done something," shows that we are not taking precipitous action. We are being very careful to consider alternatives, to consider the effect on some of these 10,000 people. How are we going to affect people; how are we going to affect the community; how will we affect you? I assure you we are not being precipitous.

Your interpretation of precipitous action may not be Mr. Smith's interpretation.

Mr. Pouliot: What may be called the inevitable is what I have some problem with.

This is my last question for a while. What can be gained at present to have this committee not given more specifics than we have now? It has been an exercise in public relations, because you have indicated to us that we are no further ahead in specifics than we were two months ago.

What benefit would there be in the committee travelling and consulting with all the groups I mentioned? Do you see any positive benefit from that endeavour if, as a committee, we were to travel now after consulting with the main player?

Mr. Lavellet: I do not want us to appear to have done nothing. No, we have not shared with you or with anyone else, except a very few corporate people, the alternatives we are considering. That was the dictum of Mr. Smith, particularly when he talked about sharing things with our friends in the media. We do not want speculation; we do not want hearsay, if you will. We are trying to deal with cold, hard facts. Having dealt with the facts, we are trying to consider the lives of the people who will be affected. I am not ready to disclose to you any of the specifics of the plan. I have shared that with everyone we have spoken to.

Again, I do not want you to think we are doing nothing just because we have not shared something with you. I have not told you much other than what everyone was told on May 3rd and has been repeated by me ever since.

You wondered of what benefit the committee coming would be. We have learned some things. We have had visits by both provincial and federal people, who have acquainted us with things the government can do. For example, "If you make this decision, we are prepared to assist you in doing these things; if you make this decision, are you aware that there is a problem in doing this?"

We knew about some of those, but not others. I assure you that we will use some of those at the proper time.

Mr. Ramsay: Excuse me for being absent. If any of my questions are redundant, please tell me. I do not want to waste your time.

You talk about the different alternatives you are considering. What is the time frame for examining those and coming to a conclusion?

Mr. Lavallet: Mr. Smith had said that he would have an approved plan in his hands no later than the end of the calendar year. Whether our plan is accepted and put into effect by the end of the year has to be his decision.

Mr. Ramsay: All right. Just so I have a little more understanding about how the company works, in Terrace Bay, specifically; what market is served by the pulp produced there? Where does it go, and what is it made into?

Mr. Lavallet: The pulp is sold in two different markets.

Some of it goes from Kimberly-Clark of Canada Ltd. to consumer mills in both Canada and the United States to make the facial tissue products, Kleenex, that you buy on the shelves. It goes into products such as fine writing paper, sandpaper, printing paper and label paper at a few of the specialty mills in the northern United States. As well, as a component of diapers, it is shipped to mills in South Carolina, Tennessee and Canada, including those in the Toronto area.

Then there is a market in which we sell outside the corporation. There must be 100 different companies on the books to which we ship, depending on what pulp we have and what pulp they are ordering at the time.

All our sales, incidentally, are handled out of a central distribution area in Neenah, Wisconsin.

Mr. Ramsay: What percentage of the raw material that goes into the Kimberly-Clark product is produced in Terrace Bay?

Mr. Lavallet: I could generate that number, but I do not carry it in my head. I could not even give you an order of magnitude, because there are so many mills making so many things.

Mr. Ramsay: How many mills owned by Kimberly-Clark produce pulp?

Mr. Lavallet: There are only two pulp-producing mills. One is in Coosa Pines, Alabama, and makes two different types of pulp, hardwood and softwood. The hardwood is for the tissue business; the softwood is for the diaper business. The other mill is in Terrace Bay.

Mr. Ramsay: It would be fair to say, then, that the Terrace Bay operation plays a substantial part in the operations of Kimberly-Clark.

Mr. Lavallet: It certainly does. In round numbers, it produces 380,000 tons a year, the vast majority of which goes into the Kimberly-Clark organization.

Mr. Ramsay: Roughly what per cent of the 380,000 tons produced at Terrace Bay is sold to the outside market?

Mr. Lavallet: I am going to be intentionally vague. It depends on the time of the year or month, what mills are buying or not buying, what the pulp price is doing. It will vary.

Mr. Ramsay: You do not have a steady market, then.

5:20 p.m.

Mr. Lavallet: We really do not. We are fortunate, particularly right now, to be working on quality items.

For example, we are making our pulp competitive with eucalyptus pulp. We have a captive mill that we can work with very closely because the people involved are on the same payroll as I am. They are consequently driven by Mr. Smith to find a way to use our pulp, as I am to try to make a pulp they can use. As more eucalyptus is brought into the Kimberly-Clark organization by people who want to make the best product for the consumer, we have to compete within our own corporate structure.

Mr. Ramsay: Is the Alabama mill running at 100 per cent capacity? It is generating. Does that sell to outside markets too or is the product basically consumed by Kimberly-Clark?

Mr. Lavallet: The largest part of it is consumed within the corporation.

Mr. Ramsay: The real competition is from yourself from the outside market from some of these offshore sources that use the eucalyptus. That is a superior raw product to produce some of the products that you produce.

Mr. Lavallet: That is correct. Corporately, we are a net pulp buyer.

Mr. Ramsay: So there is no way in the organization that you could

replace the capacity that you have now if Terrace Bay were to stop production. I presume you would have to buy from offshore.

Mr. Pierce: I have just a couple of questions that flow from questions already asked. Is there some concern within Kimberly-Clark that the free trade talks that are currently ongoing could affect your ability to continue the operation in Terrace Bay as a Canadian operation to flow the products through to the US?

Mr. Lavallet: Lumber and studs are made at both Terrace Bay and at Longlac. Certainly, if the market for those things is reduced because of the tariff, we are going to be concerned that the amount we make may not be marketable.

Mr. Pierce: What about in the pulp products? Understandably, if tariffs are put on softwood products in studs, then there will also be tariffs put on other products that are generated through the use of softwood products.

Mr. Lavallet: Primarily, we have studied the problem on lumber. We have not looked at the pulp situation because we do consume some of Terrace Bay's pulp on the other side of the border. We cannot address how that will affect us corporately.

Mr. Pierce: It certainly would be a concern within the corporate organization.

Mr. Lavallet: It would be a concern for the pulp that is sold on the open market in the United States.

Mr. Pierce: The other question is, do you use chips in your products? Do you buy chips from whatever sources are available to you?

Mr. Lavallet: Yes.

Mr. Pierce: Do you use the chips from your stud mills as well?

Mr. Lavallet: Yes. Mr. Fontaine was very concerned.

Mr. Pierce: I will not go into that one. I will let somebody else deal with that one.

From reading the remarks--and as you can appreciate, we have just received these in the past half hour--it would appear to me that at Kimberly-Clark, Terrace Bay, the less production you have, the more money you save. It would appear that you are losing many dollars per ton and the more tons you produce the more money you lose. That is not a good situation.

That is just an observation on reading the remarks. As an outsider, if you follow through on the thinking of where those remarks came from, then it is better in that respect to get out of business than to be in business. I only hope that does not happen. It certainly is not the desire of this committee to see those kinds of things take place.

Mr. Lavallet: That does point out the amount of effort the corporation has made to keep the Terrace Bay operation afloat.

Mr. Pierce: I notice a comment in the remarks on page 3. The president of the time was asked what went wrong. The answer is that the

expansion of the mill cost \$70 million more than originally anticipated. I thought those things happened only within governments. I did not think they happened within corporate bodies, but is there any explanation? The sum of \$70 million is substantial in anybody's world. If you are looking at an expansion program in the neighbourhood of \$65 million to \$100 million, \$70 million is a fairly large overexpenditure. Can you give us any idea what precipitated that amount of additional costs in the expansion? Let me ask one other question along with that. Does that take the fire into account as well, or is the fire over and above that?

Mr. Lavallet: The fire was over and above that.

Decisions were made during the expansion itself that, for example, the mill would address environmental issues more than originally had been intended, that the mill would address some quality parameters that were known at the time and that there would be some additional machinery provided. I was not here. I was here shortly after the start of it, because they had problems starting that system up, and I was here then.

Mr. Pierce: I am aware of that.

Mr. Lavallet: There were some design deficiencies in the mill that had to be corrected at great cost. There were some construction problems that had to be addressed. I think he is very blunt about it. It was not one of the better projects that any corporation would like to have.

Mr. Pierce: On page 4, reference is made to the cost of wood as about 42 per cent of the total cost of producing pulp. Can you tell me how that compares with other mills? How does that compare to your Alabama mill, for example? Have you any idea?

Mr. Lavallet: I would prefer not to make that comparison. I think we could draw some incorrect conclusions.

Yes, it is high.

Mr. Pierce: The comment is made that it is way out of line compared to the cost of competitive pulps.

Mr. Lavallet: It is very difficult to know what the competition is doing.

Mr. Pierce: I am not asking you--

Mr. Lavallet: We do not want to share our numbers with them, and obviously, they do not always share numbers with us. We have a good bit of data that we have collected very recently, and we do not know how good it is. It will help us evaluate numbers such as that percentage. In any case, for running a pulp mill, the cost of the raw materials is the largest cost of doing business.

Mr. Pierce: On a recent trip the committee on single-industry communities made, we visited Bowater in Sweden. They gave us some costs of producing the wood in the mill and then their outcosts of the pulp. I was wondering how it would compare with what could be considered competition in the pulp industry. However, it is not necessary to use those comparisons.

There is also reference made to the fact you stated earlier. The design capacity of the mill was anticipated to be what the market would accept, and that has not happened. You can produce more than you have a market for. Is that still a fact?

Mr. Lavallet: I do not believe I said that.

Mr. Pierce: I am just reading from these remarks.

Mr. Lavallet: You are comparing Mr. Smith's remarks and asking me to comment on that.

Mr. Pierce: Yes.

Mr. Lavallet: The mill is running at 100 per cent capacity. We have not shut down any portion, nor do I intend to do that tomorrow. I hope nothing like that is going to be required. We would like to continue to be a large-production operation. As eucalyptus has moved in and as quality requirements have moved in, our market, particularly for hardwood, is being affected. That means we have to find either different users or ways that are not capital intensive of making our product better.

The chemistry of the process is where we have put the majority of our effort in the mill. The chemistry of pulping wood is fairly straightforward, but by making some subtle changes in a few things, we are doing things that have never been done before. We are trying to see what happens. What is the economic impact? What is the safety impact? What is the product quality impact? On several of those we have been delightfully successful. We hope we can continue that.

Mr. Pierce: As we all do.

5:30 p.m.

Mr. Chairman: Mr. Lavallet, How long have you have been president of the Canadian operations?

Mr. Lavallet: I came into the country on January 3, 1986.

Mr. Chairman: What was your responsibility to the Canadian operations before that?

Mr. Lavallet: In 1977, I was in the advisory capacity of trying to get the expanded mill up and running. That was my only previous close contact with the Terrace Bay operation. Prior to that, all my experience was in the southern United States as either engineer or manager of pulp operations.

Mr. Chairman: You are really a trouble-shooter in this situation.

Mr. Lavallet: As it turns out, yes and no. Mr. Groman, who had the job prior to me, had an opportunity to move. There was some thought that some new management ideas that I might bring to the task or new techniques for manufacturing and engineering that I might bring to bear because of my personal background might be worth while. We made the organizational change and I came with the full knowledge that Terrace Bay was a problem, but with no forethought that I would come here and make a decision to close the mill or

turn it upside down. That was not the objective of my coming. It was a career opportunity for me personally. I took it and I am glad I took it.

Mr. Chairman: How many employees are there in Canada?

Mr. Lavallet: There are about 2,000 working for the Terrace Bay operation.

Mr. Chairman: I meant in Kimberly-Clark.

Mr. Lavallet: I have no idea. We are talking about consumer mills, production mills and offices here in Toronto. I do not have the number in my head for all that put together.

Mr. Chairman: But you are president of Kimberly-Clark of Canada, which includes all these operations.

Mr. Lavallet: We also have a chairman of the board of Kimberly-Clark of Canada. That is the position Mr. Groman went to. His responsibilities are for the production of consumer products, the distribution of consumer products and the consuming mills, with offices in Toronto. A corporate split is made. The position of president is generally responsible for the forest products operation and pulp production at the Terrace Bay mill.

Mr. Chairman: Even though you are president of Kimberly-Clark of Canada, you are not president of these other consumer products operations. Does anyone there report to you or is it only--

Mr. Lavallet: Not in the consuming organization.

Mr. Chairman: They do not report to you at all. Is there no line organization to you?

Mr. Lavallet: No.

Mr. Chairman: How do you end up with a title that says president of Kimberly-Clark of Canada Ltd.? I do not understand the machinations of Kimberly-Clark.

Mr. Lavallet: I am sorry. You will have to ask Mr. Smith that. That is what he chose to call the position.

Mr. Chairman: I am having trouble distinguishing between your responsibilities and Mr. Smith's.

Mr. Lavallet: Mr. Smith is chairman of the board and chief executive officer of the worldwide corporation of Kimberly-Clark.

Mr. Chairman: Presumably he cannot know everything about all the operations and must therefore delegate more specific responsibilities to people such as the president of Kimberly-Clark of Canada Ltd., and that is you. However, you seem to be saying that you cannot answer these questions and that Mr. Smith has to. I do not understand that split in the responsibilities between you and Mr. Smith.

Mr. Lavallet: I cannot answer how many employees there are in Kimberly-Clark of Canada.

Mr. Chairman: Earlier in our discussions, you made several references to, "You had better ask Mr. Smith that."

Mr. Lavallet: Anything that I think I would say that would infringe on his right to make a statement for the corporation, I will always give back to him.

Mr. Chairman: Even though it is about Canada and you are the president of the Canadian operation?

Mr. Lavallet: I certainly will. I will never usurp his right to make a corporate statement.

Mr. Chairman: This is a truly branch-plant operation, Mr. Lavallet. On page 2 of Mr. Smith's remarks--

Mr. Lavallet: That is called corporate survival.

Mr. Ramsay: Even in politics, we do this all the time.

Mr. Chairman: On page 2 of Mr. Smith's remarks, he has gone through a rhetorical flourish about how much faith he has in the operation and the people at Terrace Bay. He says "and that faith, I assure you, remains regardless of the recent public utterances of a few ill-informed outsiders who seem to be much more anxious to fan the flames of nationalism or liberalism." The nationalism I understand; the liberalism I do not. There are no flames in liberalism. I wonder whether you can interpret that for those of us who do not understand what Mr. Smith meant.

Mr. Pierce: Mr. Chairman, I would like you to note that I passed that one.

Mr. Chairman: I cannot. What does it mean?

Mr. Lavallet: Perhaps Mr. Smith was referring to some of the things that have appeared in the newspapers. Incidentally, many of the articles that appeared led to a corporate decision that we would not speak to the press.

Mr. Chairman: Where is your office?

Mr. Lavallet: Terrace Bay.

Mr. Chairman: So you have a group of deputies reporting to you in Terrace Bay. Is that right?

Mr. Lavallet: That is right.

Mr. Chairman: When you talk about consultation and Mr. Smith talks about no precipitate announcements, what does that mean? This is after he has made a precipitate announcement, I hasten to add. Who will consult with whom, from this point on, when decisions are to be made? I do not understand who you will be talking to. If you decide tomorrow that you are going to reduce your work force in northwestern Ontario by 1,000 people, to whom will you go?

Mr. Lavallet: First, to the employees, then to the government, and ultimately, probably to the media. I am sure we would want to get some facts in the papers. There is enough speculation.

Mr. Chairman: They have been good to you. The duty is to return the favour. Briefly, what would be a best case and a worst case scenario for the Kimberly-Clark operations for which you are responsible?

Mr. Lavallet: If I said best case, either I would not be honest with you or I would be revealing something I am not prepared to reveal. We know what the worst case would be.

Mr. Chairman: The worst case would be a complete shutdown.

Mr. Lavallet: That is correct.

Mr. Chairman: The best case would be something less than that.

Mr. Lavallet: The best case would be a situation that made us profitable to the degree that Mr. Smith and the stockholders demand of every unit in the corporation. I think that is in the paper, but I do not remember. We have a need for corporate profitability, for a return on invested assets at that mill that applies to every unit in the corporation. That is how I am judged. The best situation would be to achieve those objectives and have the least impact on the community, the individuals and any other part of the corporation. Any plan I put forward for Mr. Smith to consider must have exactly those building blocks.

Mr. Chairman: I have only one more question.

Mr. Ramsay: I guess you can go ahead, Mr. Chairman.

Mr. Chairman: Thank you.

At the top of page 7 of Mr. Smith's remarks, he is speaking to his family. It says that "you have fallen on hard times. The family wants to help. The question is, do you want to help yourself, and only you can answer that." He is speaking to the workers at the plant. How can they help themselves in this situation?

Mr. Lavallet: First, by continuing to produce quality, low or minimal cost tonnage at the mill while decisions are being made. That is number one; that must happen. If Terrace Bay had stopped producing, if people had left town and the mill had suddenly found itself without enough people to run or repair it, it would be a signal that the community, the employees, were not supportive of whatever might take place. Obviously, that did not happen.

5:40 p.m.

Mr. Chairman: So just retaining the status quo would be--

Mr. Lavallet: Retaining the status quo and being prepared to negotiate and discuss the plan, the elements of any plan, cost-saving ideas and changes necessary in daily operations. Some of that has happened. A minute ago I tried to separate for Mr. Pouliot the difference between decisions made to keep the mill running and get the cost down, and the business decision of what we are going to do with the Terrace Bay operation. I anticipate that we will continue to market pulp.

Other mills have chosen to do other things. We have been directly asked: "Why not make newsprint? Why not make a particular ingredient of another consumer product?" These are things that could, or may, be considered. I do

not think it likely that a different product will be turned out of the mill; that would be a very capital intensive thing to do.

Mr. Chairman: I get the impression that Mr. Smith believes in tough love. At the bottom of the page, he talks about Kimberly-Clark mills elsewhere and says, "The people in these mills refused to recognize that their unwillingness to accept unavoidable change meant the end of their future." That is a warning to employees, I gather, that changes or sacrifices may have to be made. Am I reading too much into that?

Mr. Lavallet: No. In the absence of the pulp market putting \$200 or \$300 per ton on everything we make, which is not very likely, there have to be changes within the fence to do something differently in terms of people, equipment or attitude to make it into a profitable operation.

Mr. Pouliot: There is so much we could talk about. It is nice to see an expert at work, if not answering all the questions; some of them are very technical and we cannot ask you to exceed or surpass a degree of normalcy among all of us. However, I have to quote Mr. Smith on page 2. He talks about "human dimension," and goes on to say, "as much faith as I had." He lists about eight articles of faith to reaffirm how much faith he has in the people of Terrace Bay and Nakina, all of whom have contributed to the corporate welfare over the years. I find it difficult to reconcile with what he says when he concludes his remarks. He says there are eight articles of faith; then, on page 7, he asks: "Am I optimistic about the chance for success? The answer is only slightly."

Are you optimistic about the chances of recovery, of turning this thing around so that you can make a profit and enhance, in doing so, the survival and progress of the employees over whom you have jurisdiction? What is your feeling about this, Mr. Lavallet?

Mr. Lavallet: Mr. Pouliot, I personally have to be optimistic that we will find a way to keep the operation viable. That is my job and the reason I am here.

Mr. Smith has given some very difficult goals dealing with profitability that we have to attain. If you read his speech, he is familiar with other units that were given some sort of goal and were not able to put it together. He cannot be 100 per cent optimistic that I and my deputies will succeed. If I am not, I should stop now and I am not prepared to stop. I am absolutely optimistic that we will find the combination of things and effect them so that Terrace Bay will be a viable enterprise.

Mr. Ramsay: I think you said that every facet of the company has to be profit-driven. You have said that or something close to those words.

5:45 p.m.

Mr. Lavallet: The word is not necessarily "profit"; it is a return on invested assets that is--I am just beginning to understand exactly what that means.

Mr. Ramsay: You were going to complete the phrase, "A return on invested assets that is." You did not qualify the return. You just said--okay; a return on the assets. We suspect that would generate a profit anyway. You mentioned two words, though; you mentioned "profit" many times and you also

mentioned "viability." To me, those words are not the same. Are they to you? To me, there is a difference.

Mr. Lavallet: As far as being a pulp mill is concerned, Terrace Bay is moderately viable. We make a lot of tons. The quality of some is better than the quality of others, so we are a marginally viable mill. The mill works.

Mr. Ramsay: The mill works physically.

Mr. Lavallet: Yes. It is a mill that is not profitable and cannot continue to run.

Mr. Ramsay: I want to define that a little more closely and talk about economic viability. Do you cost the pulp that you pass on to other of your finishing mills at the same price that you sell to the open market?

Mr. Lavallet: I cannot answer that; meaning, I will not answer that.

Mr. Ramsay: I am getting at what really determines profitability. You produce a raw product, a semi-finished product--I do not know how you would describe it--at this plant. You transport it internally to other plants that add value to it. I presume that adding more of the finished value to it is where the profit is, but you say every component of the business has to be profitable. Is that correct?

Mr. Lavallet: I see your point. Let me address it this way: We consider the pulp we manufacture is all sold at market pulp price. Does that help?

Mr. Ramsay: Yes. I do not think anybody, or governments if governments choose to do so and in this country they have chosen to do so in some instances, should be expected to run enterprises at a loss. Let us say somebody were to take over the operation at Terrace Bay and run a fiscally viable operation that broke even, utilized the raw resources, paid people good wages to raise families, live and have productive lives and was able to put out a product that was bought on the open market by other companies, whichever they are, and it became profitable. In this lowest end of the chain, there was a viable operation. What do you think of a situation such as that if it were to occur?

Let me say it another way. Is it imperative for a company to make sure it has control of all aspects of its operation? Would Kimberly-Clark be satisfied to have raw materials supplied with long-term contracts, in a greater percentage than it now does, by outside suppliers?

Mr. Lavallet: At the mill in Alabama where I spent 12 years, 100 per cent of the wood came from purchases. There was no such thing as a limit. There was no such thing as a woodlands operation in Alabama. Corporately, we are looking at almost two opposite ends of the spectrum. We purchase some chips, but we cut a lot off the limit here. Down south, it is all bought from outside.

Mr. Ramsay: Is it not acceptable to Kimberly-Clark that its Terrace Bay operation supplies raw product to its other plants for finishing at a break-even price? Is there enough profit in producing the finished material at the other end if the raw product is supplied to the finishing mills at a break-even price? It is not a loss.

Mr. Lavallet: I see what you are asking. I am not qualified to answer that.

Mr. Ramsay: Is your mandate to make Terrace Bay profitable or just fiscally viable?

5:50 p.m.

Mr. Lavallet: Profitable.

Mr. Ramsay: It has to be profitable.

Mr. Lavallet: At market pulp price. That is not break-even, incidentally. The profitability is not better than break-even. I have some very specific goals for return on the \$400-million worth of machinery that is sitting there, and that is the way Mr. Smith's goal is defined for me. He is looking for a percentage return on the assets the corporation has invested.

Mr. Ramsay: Do those \$400-million worth of assets eventually depreciate down to a much lower figure, or because of repairs and additions--

Mr. Lavallet: The portion of the mill that was built in 1950 has depreciated to a great degree. The portion of the mill that was built in 1976, 1977 and 1978, the stuff that was put in after the fire, the capital spending that is done every year until now, until May 3, all comes in at full value, of course, and then the depreciation begins again.

Mr. Ramsay: Basically, the plant, with the other new capital expenditures, repairs, etc., probably retains, overall, a fairly substantial consistent value.

Mr. Lavallet: This one does because the new, expanded mill is more than twice as big as what was at Terrace Bay originally. So the great majority of capital in Terrace Bay has been invested within the last 10 years.

Mr. Chairman: Did Kimberly-Clark build the first mill in Terrace Bay or did it buy it from somebody else?

Mr. Lavallet: I believe it was already built. The woodlands operation I cannot address. I am not up to speed on exactly what that was initially, but the mill was built here and the mill was built in Coosa in Alabama at almost the same time. In fact, the equipment found in one is almost identical to that in the other.

Mr. Chairman: Are there any other questions by members of the committee?

Thank you, Mr. Lavallet, for appearing before the committee. I am not sure you have answered the question of whether we should attempt to visit the communities where Kimberly-Clark plays such an important role.

Mr. Ramsay: I have another question that may be helpful in relating to what you are talking about. Mr. Lavallet, do you think it would be helpful to have the chairman of Kimberly-Clark Canada Ltd., who works in Toronto and is in charge of the finishing operations and the consumer distribution end of it, before the committee?

Mr. Lavallet: I do not.

Mr. Chairman: Do you think it would be helpful to have Mr. Smith?

Mr. Lavallet: For the questions about what he meant in different parts of his speech, he is the best one to have appear. Corporately, we have tried to present the picture that the Terrace Bay Canadian opportunities will be handled by people in Terrace Bay. Mr. Smith came. He said the problem now lies with me, and he is waiting for me to present him with the plan of action. Perhaps what that says to you is, "Trust me." I do not think it is quite that trite, but my responsibility right now is to develop that plan.

Mr. Pierce: Just one question, Mr. Lavallet. You commented that you had read the report on single-resource-dependent communities. One of the highlighted recommendations was the appointment of a commissioner to assist single-industry communities and individual business communities in addressing the problems their industries are faced with. Have you given any consideration to whether a commissioner would assist you in your deliberations?

Of course, as you are aware from the report, the commissioner's role is such that he is tied to confidentiality between himself and whatever party he is dealing with. Have you given that any consideration whatsoever?

Mr. Lavallet: We did. It has been brought to us three or four times by government visitors in meetings we have held with the government. Our corporate position, and my personal position, still is that we must make a business decision and it must be a business-driven decision. Then we will involve as many people as are necessary for help, consultation and "What do we do now?"

Mr. Pierce: Yes. The feeling of the committee was such that the commissioner's role would be a proactive one as opposed to a reactive one. The committee was very concerned that we did not want to be perceived as recommending a commissioner who reacted only after the fact. We really wanted the commissioner's role to be proactive, where he could go in and provide whatever assistance was available through his office to assist in making those decisions prior to the final decision being made. I leave that with you. As you have said, I am sure other people have indicated that it may be a direction to go in.

Being a member on the committee, I am very anxious to see whether that role could really work in Ontario, if it were filled. We know how it works in British Columbia, but the role of the commissioner in British Columbia is one of being a reactive commissioner who responds to an announcement after it is made as opposed to proactive.

Mr. Chairman: There are no other questions. Mr. Lavallet, thank you for appearing before the committee. The committee will discuss at the opportune time what we should do next, or whether we should let the chips fall and just keep an eye on how things unfold, hoping there is a distinction between unfolding and collapsing.

To the committee members, we must make a decision on our future schedule. We do not have to make it here and now this afternoon. There has been a request from the government House leader's office to let it know what we are prepared to do between the end of this session and the beginning of the

next. Although nothing is cast in stone at this point, it appears there are two things that we should deal with.

One is automatic, and that is the Workers' Compensation Board. I was hoping that two weeks of hearings would be all right for that. They would not be public hearings. We would have the board and the new appeals tribunal appear and ask them specifically ahead of time to respond to our report, which we produced in the fall of 1985, if that is appropriate to committee members. I would like to think we could do that in two three-day weeks.

The other thing before the committee is probably the new rent control bill, which is 55 pages long, has 125 sections and is hopelessly complex, which may very well be referred to us.

Mr. Pierce: I am sure we can get the minister to explain it to us.

Mr. Chairman: Yes.

Mr. Pierce: Give him an hour, and I am sure we would all be brought up to speed on it.

Mr. Chairman: This is not definite, but that is what the rumblings are. If that is the case, because it is fairly controversial and we need to hold some public hearings, I hope we would not hold any meetings or hearings before mid-August. We would have no hearings during whatever is left in July and the first half of August. After that, we would work out a schedule. Is there any problem with that?

Mr. South: What you are saying is two weeks in regard to--

Mr. Chairman: I suggest the last two weeks heading into the new session, but I do not feel--

Mr. Ramsay: For which?

Mr. Chairman: For the WCB.

Mr. Ramsay: Right. Before then?

Mr. Chairman: Before that, we do the Ministry of Housing stuff, if we get the rent control bill.

Mr. South: Is that four weeks in total between now and--

Mr. Chairman: It would be more than that. It would be about six weeks.

Mr. South: Six weeks in total.

Mr. Chairman: Yes, but it would not start before mid-August. I do not know the exact date. We would start around mid-August and do the rent hearings during that time, and then cut it off and do the WCB during the last couple of weeks. We are not trying to make a decision today.

Mr. South: You were also talking about using two weeks before the middle of July.

Mr. Chairman: No. It is the two weeks before the new session starts.

I am sorry about that. I urge committee members not to hold any hearings until mid-August and that we take the month or so between now and then to work in our ridings.

Mr. Pierce: Does that give you enough time, Mr. Chairman, to get your cabin into shape and your fishing done?

Mr. Chairman: I intend to come back with a good dose of cabin fever.

Mr. Ramsay: A good dose anyway. We do not care.

Mr. Chairman: Before Mr. Ramsay has another bright idea, I suggest you consult with your colleagues on that. I do not think we should make the final decision today.

Mr. Pierce: I do not think we should make that decision today either.

Mr. Chairman: No. I am throwing that out as a suggestion from the chair.

Mr. South: Do we have anything before us now?

Mr. Chairman: No.

Mr. South: Some of the estimates.

Mr. Chairman: The Ministry of the Environment estimates will carry us on till we adjourn. There is no question about that.

Mr. D. W. Smith: When is that?

Mr. Chairman: That is Wednesday and Thursday of this week and Wednesday and Thursday of next week.

Mr. Knight: And the one after that.

Mr. Chairman: And the one after that, if we are still here. As a committee, I hope we can resist being assigned any estimates between the two sessions.

Mr. South: We would not look at the estimates of the Ministry of Transportation and Communications till some time after the middle of August at best.

Mr. Chairman: Until after the middle of October, till the House comes back.

Mr. Ramsay: We do not have any estimates during the break.

Mr. Chairman: I do not control the negotiations that go on among the House leaders and the whips, so at least I could point that out. I believe we can do our share of resisting as a committee.

Mr. Pierce: I thought you had control.

Mr. Chairman: Yes, that is right. I suggest members chat with their colleagues and I will raise it again on Wednesday or Thursday.

We are adjourned until Wednesday afternoon when we will continue with the estimates of the Ministry of the Environment.

The committee adjourned at 6:02 p.m.

JUN 2 1987

3 1761 11467210 8

